



## Old Mutual Limited

(formerly, Old Mutual Proprietary Limited and K2017235138 (South Africa) Proprietary Limited)

(Incorporated in the Republic of South Africa)

(Registration number: 2017/235138/06)

JSE share code: OMU    LSE share code: OMU    MSE share code: OMU    NSX share code: OMM    ZSE share code: OMU    ISIN: ZAE000255360

(the "Company")

## PROSPECTUS AND PRE-LISTING STATEMENT

**The definitions and interpretations contained in Annexe 18 to this Pre-listing Statement apply to this entire document, including this cover page, except where otherwise indicated.**

This Pre-listing Statement comprises a combined prospectus and Pre-listing Statement relating to the Company. This Pre-listing Statement has been prepared in accordance with the JSE Listings Requirements and the prospectus rules of the UK Financial Conduct Authority ("FCA") made under section 73A of the United Kingdom's Financial Services and Markets Act 2000 (as amended) ("FSMA"), as well as, to the extent applicable, the Malawi Stock Exchange Listings Requirements, Namibian Stock Exchange Listings Requirements and the Zimbabwe Stock Exchange Listings Requirements. This Pre-listing Statement has been approved by the FCA in accordance with Section 87A of the FSMA and made available to the public in accordance with the UK Prospectus Rules. This Pre-listing Statement does not, nor does it intend to, constitute a "registered prospectus", as contemplated by the South African Companies Act, 71 of 2008 (as amended) ("Companies Act"). As a result, this Pre-listing Statement does not comply with the substance and form requirements for prospectuses set out in the Companies Act and the South African Companies Regulations of 2011 and has not been approved by, and/or registered with, the South African Companies and Intellectual Property Commission, or any other South African authority. The JSE has approved this Pre-listing Statement.

This Pre-listing Statement has been prepared in connection with the Managed Separation, and, unless the context otherwise requires, assumes that the Resolutions proposed in connection with the Managed Separation, which are set out in the Scheme Circular, will be passed at the General Meeting, that the High Court of Justice in England and Wales ("Court") sanctions the First Scheme and the Second Scheme ("Schemes") and that the Managed Separation is approved by all relevant regulatory authorities and, save for the Nedbank Unbundling, is implemented. A more detailed description of the Managed Separation is set out on page 210.

This Pre-listing Statement relates to the Admission by way of introduction of the issued Ordinary Shares on the main board of the JSE, as a primary listing, and to the Admission of the Ordinary Shares to the standard listing segment of the official list of the UK Listing Authority ("UK Official List") and to trading on the London Stock Exchange's ("LSE") main market for listed securities, and as secondary listings, the Admission of the issued Ordinary Shares on the Malawi Stock Exchange, Namibian Stock Exchange and Zimbabwe Stock Exchange. An application has been made to: the JSE for the Admission of all of the Company's issued, and to be issued, Ordinary Shares in the "Life Insurance" sector of the JSE under the abbreviated name "OMUTUAL" and share code "OMU", as a primary listing; the FCA for all the Ordinary Shares in the capital of the Company, issued and to be issued, to be admitted to the standard listing segment of the UK Official List and to trading on the LSE; and for the Admission of all of the Company's issued, and to be issued, Ordinary Shares to the Malawi Stock Exchange under the abbreviated name "OMUTUAL" and share code "OMU", the Namibian Stock Exchange under the abbreviated name "OMUTUAL" and share code "OMU" and the Zimbabwe Stock Exchange on the "Life Insurance" sector of the Zimbabwe Stock Exchange under the abbreviated name "OMUTUAL" and share code "OMU". The international securities identification number ("ISIN") for the Ordinary Shares is ZAE000255360. The Admission on each of the JSE and the LSE is not conditional on the Admission on each of the Malawi Stock Exchange, the Namibian Stock Exchange and the Zimbabwe Stock Exchange. However, the Admission to the Malawi Stock Exchange, the Namibian Stock Exchange and the Zimbabwe Stock Exchange is each conditional on the Admission on each of the JSE and the LSE. Accordingly, if for any reason an Admission to the Malawi Stock Exchange, the Namibian Stock Exchange or the Zimbabwe Stock Exchange does not become effective, the Admissions to the JSE and the LSE will still proceed.

If the Managed Separation, save for the Nedbank Unbundling, becomes effective, it is expected that the Admissions and unconditional dealings in the Ordinary Shares will commence at the commencement of trading on 26 June 2018.

Ordinary Shares will only be traded on the JSE and the Zimbabwe Stock Exchange in Dematerialised or Uncertificated Form and accordingly all holders of Ordinary Shares ("Shareholders") who hold Ordinary Shares in Certificated Form will have to dematerialise their Ordinary Shares should they wish to trade on the JSE or the Zimbabwe Stock Exchange.

The Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933 (as amended) ("Securities Act"), or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the Ordinary Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States absent registration under the Securities Act or an exemption therefrom. The Ordinary Shares are expected to be issued in reliance on the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10) thereof. Old Mutual plc Shareholders who are affiliates of Old Mutual plc, Old Mutual Wealth plc ("Quilter plc") or the Company as at the Demerger Effective Time or the Second Scheme Effective Time will be subject to certain US transfer restrictions relating to the Ordinary Shares received in connection with the Schemes. For a description of these and certain further restrictions on offers, sales and transfers of the Ordinary Shares and the distribution of this Pre-listing Statement, see page i.

**None of the Ordinary Shares have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of this Pre-listing Statement. Any representation to the contrary is a criminal offence in the United States.**

No Ordinary Shares have been marketed or offered to, nor are any available for purchase, in whole or in part, to any person in any jurisdiction in connection with the Admissions. This Pre-listing Statement does not constitute an offer or invitation to any person to subscribe for or purchase any Ordinary Shares in the Company in any jurisdiction including an offer to the public or section of the public in any jurisdiction, and is issued in compliance with the JSE Listings Requirements and UK Prospectus Rules as well as, to the extent applicable, the Malawi Stock Exchange Listings Requirements, the Namibian Stock Exchange Listings Requirements and the Zimbabwe Stock Exchange Listings Requirements for the purposes of providing information to Old Mutual plc Shareholders with regard to the Company. As such, there will not be any stabilisation activity in respect of the Ordinary Shares.

The Company's authorised share capital comprised, and will comprise, 10,000,000,000 Ordinary Shares on the Last Practicable Date and the Admission Date, respectively. The Company's issued share capital comprised 1 Ordinary Share, with a stated capital of R1, on the Last Practicable Date and is expected to comprise 4,932,779,577 Ordinary Shares, and on the Date of Admission, it is expected that the aggregate value of the stated capital in relation to the Ordinary Shares on the Demerger Effective Time will equal the market capitalisation of Old Mutual plc, less the value of Quilter plc at such time. None of the Ordinary Shares are, and will be, held in treasury on the Last Practicable Date and the Admission Date, respectively. The Ordinary Shares issued as part of the Second Scheme will rank *pari passu* with all of the other Ordinary Shares in issue at the Second Scheme Effective Time in all respects. The Ordinary Shares do not have a par value, and accordingly the Company does not have a share premium account.

The Company and the Directors, whose names are set out in paragraph 1.1 of "Part VIII – Management and Corporate Governance" of this Pre-listing Statement, collectively and individually accept full responsibility for the information contained herein and certify that, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Pre-listing Statement is in accordance with the facts and there is no omission likely to affect the import of such information or make any statement false or misleading, and that this Pre-listing Statement contains all information required by the JSE Listings Requirements and the UK Prospectus Rules as well as, to the extent applicable, the Malawi Stock Exchange Listings Requirements, the Namibian Stock Exchange Listings Requirements and the Zimbabwe Stock Exchange Listings Requirements.

The distribution of this Pre-listing Statement in jurisdictions other than Malawi, Namibia, South Africa, the United Kingdom or Zimbabwe may be restricted by law and therefore persons in whose possession this Pre-listing Statement comes should inform themselves about, and observe, such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws or regulations of any such jurisdiction.

**THIS PRE-LISTING STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR ISSUE, OR THE SOLICITATION OF AN OFFER TO BUY OR SUBSCRIBE FOR, ANY SECURITY, NOR SHALL THERE BE ANY SALE, ISSUANCE, TRANSFER OR DELIVERY OF THE SECURITIES REFERRED TO IN THIS PRE-LISTING STATEMENT IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW, OR WHERE FURTHER ACTION IS REQUIRED FOR SUCH PURPOSE.**

Date of issue 20 April 2018

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Joint Financial Adviser

**Merrill Lynch**

A subsidiary of  
Bank of America Corporation

Joint Financial Adviser

 **Rothschild**

JSE Sponsor

**Merrill Lynch**

A subsidiary of  
Bank of America Corporation

Malawi  
Stock Exchange Sponsor



Namibian  
Stock Exchange Sponsor



Zimbabwe  
Stock Exchange Sponsor

**IMARA**  
INVESTING  
IN AFRICA  
IMARA EDWARDS SECURITIES (PVT) LTD  
Members of the Zimbabwe Stock Exchange

South African legal adviser to the  
Company

**WEBBER WENTZEL**  
in alliance with > **Linklaters**

International legal adviser to the  
Company

**Linklaters**

Malawian legal adviser to the  
Company

 **Savjani & Co.**

Namibian legal adviser to the  
Company

*Engling, Stritter*  
and Partners  
Attorneys • Notaries • Conveyancers

Zimbabwean legal adviser  
to the Company



South African and international legal  
adviser to Merrill Lynch



Auditor and independent reporting accountant  
for JSE purposes



Independent reporting accountant  
for PD Regulation Purposes



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No representation or warranty, express or implied, is made by Merrill Lynch International and Rothschild (South Africa) Proprietary Limited ("Rothschild") (together the "Joint Financial Advisers") as to the accuracy, completeness or verification of the information set out in this Pre-listing Statement, and nothing contained in this Pre-listing Statement is, or shall be relied upon as a promise or representation in this respect, whether as to the past or the future. The Joint Financial Advisers assume no responsibility for this Pre-listing Statement's accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law and regulation, any and all liability whether arising in delict, tort, contract or otherwise which they might otherwise be found to have in respect of this Pre-listing Statement or any such statement.

Old Mutual plc Shareholders (i) should not rely on the Joint Financial Advisers or any person affiliated with the Joint Financial Advisers in connection with any investigation of the accuracy of any information contained in this Pre-listing Statement, (ii) should rely only on the information contained in this Pre-listing Statement, the Scheme Circular and the Quilter plc Prospectus, and (iii) are advised that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries (other than as contained in this Pre-listing Statement, the Scheme Circular and the Quilter plc Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Joint Financial Advisers.

The Sponsors and the Joint Financial Advisers are acting exclusively for Old Mutual plc and the Company and no one else in connection with the Admissions. They will not regard any other person (whether or not a recipient of this Pre-listing Statement) as their respective customers in relation to the Admissions and will not be responsible to anyone other than the Company for providing the protections afforded to their respective customers nor for giving advice in relation to the Admissions or any transaction or arrangement referred to in this Pre-listing Statement. The auditors and independent reporting accountants, whose reports are contained in this Pre-listing Statement, have given and have not, prior to the date of this Pre-listing Statement, withdrawn their written consent to the inclusion of each of their reports in the form and context in which they appear herein. Each of the legal advisers, KPMG Inc., the Joint Financial Advisers and the Sponsors and other professional advisers named in this Pre-listing Statement has consented in writing to acting in those capacities as stated in this Pre-listing Statement, and to its name being stated in this Pre-listing Statement, and has not withdrawn its consent prior to the publication of this Pre-listing Statement. KPMG LLP has given and has not withdrawn its written consent to the inclusion of its reports set out in Annexe 2B and Annexe 6B of this Pre-listing Statement in the form and context in which they appear, and has authorised the contents of its reports for the purposes of item 5.5.3R(2)(f) of the UK Prospectus Rules. KPMG Inc. has given and not withdrawn its written consent to the inclusion of its reports set out in Annexe 2A and Annexe 6A of this Pre-listing Statement in the form and context in which they appear.

This Pre-listing Statement is only available in English and copies thereof may be obtained by Old Mutual plc Shareholders during Business Hours from 20 April 2018 until 26 June 2018 from the Company and each sponsor at their respective physical addresses which appear in "Part III – Corporate Information" on page 50.

A list of risk factors relating to the Company and the Ordinary Shares is set out in "Part II – Risk Factors" beginning on page 19 of this Pre-listing Statement.

## OVERSEAS SHAREHOLDERS

### United States

The Ordinary Shares (as defined in Annexe 18 to this Pre-listing Statement) to be issued in connection with the Schemes are expected to be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10) and, as a consequence, have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States.

The Ordinary Shares generally should not be treated as “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and persons who receive securities in the Schemes (other than “affiliates” as described in the paragraph below) may resell them without restriction under the Securities Act.

Under the US securities laws, persons who are deemed to be affiliates of Old Mutual plc, Quilter plc or the Group (as defined in Annexe 18 to this Pre-listing Statement) as of the Demerger Effective Time or the Second Scheme Effective Time (as defined in Annexe 18 to this Pre-listing Statement) may not resell the Ordinary Shares received pursuant to the Schemes without registration under the Securities Act, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Whether a person is an affiliate of a company for such purposes depends upon the circumstances, but affiliates of a company can include certain officers and directors and significant shareholders. The holders of Old Mutual plc Shares (“Old Mutual plc Shareholders”) who believe they may be affiliates for the purposes of the Securities Act should consult their own legal advisers prior to any resale of Ordinary Shares received pursuant to the Schemes.

### Other jurisdictions

The release, publication or distribution of this Pre-listing Statement, the Quilter plc Prospectus (as defined in Annexe 18 to this Pre-listing Statement) and the Scheme Circular (as defined in Annexe 18 to this Pre-listing Statement) in jurisdictions other than South Africa, the United Kingdom, Malawi, Namibia and Zimbabwe may be restricted by law and therefore persons in whose possession any of this Pre-listing Statement, the Quilter plc Prospectus and the Scheme Circular comes should inform themselves about, and observe, any such applicable restrictions or requirements. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws and regulations of any such jurisdiction. To the fullest extent permitted by applicable law, the companies involved in the Proposals (as defined in Annexe 18 to this Pre-listing Statement) to finalise the Managed Separation (as defined in Annexe 18 to this Pre-listing Statement) disclaim any responsibility or liability for the violation of such restrictions or requirements by any person. This Pre-listing Statement has been prepared for the purposes of complying with the JSE Listings Requirements and the UK Prospectus Rules as well as, to the extent applicable, the Malawi Stock Exchange Listings Requirements, the Namibian Stock Exchange Listings Requirements and the Zimbabwe Stock Exchange Listings Requirements (as defined in Annexe 18 to this Pre-listing Statement) and the information disclosed may not be the same as that which would have been disclosed if this Pre-listing Statement had been prepared in accordance with the laws and regulations of any jurisdiction outside of those outlined above.

This Pre-listing Statement does not constitute an offer or form part of any offer or invitation to purchase, subscribe for, sell or issue, or a solicitation of any offer to purchase, subscribe for, sell or issue, any securities (whether pursuant to this Pre-listing Statement or otherwise) in any jurisdiction, including an offer to the public or section of the public in any jurisdiction. Other than for purposes of the UK Prospectus Rules and Admission to the UK Official List and to trading on the LSE, this Pre-listing Statement does not comprise a prospectus or a prospectus equivalent document.

## IMPORTANT NOTICE

In making an investment decision, each Old Mutual plc Shareholder must rely on his/her/its own examination, analysis and enquiry of the Company, the Ordinary Shares and the terms and conditions of the Admissions, including the merits and risks involved.

Old Mutual plc Shareholders should not treat the contents of this Pre-listing Statement as advice relating to legal, taxation, investment or any other matters and should consult their own professional advisers concerning the consequences of them receiving, acquiring, holding or disposing of Ordinary Shares. Old Mutual plc Shareholders should inform themselves as to, amongst others:

- the legal requirements within their own countries for the receipt, acquisition, purchase, holding, transfer or disposal of Ordinary Shares;
- any foreign exchange restrictions applicable to the receipt, acquisition, purchase, holding, transfer or disposal of Ordinary Shares which they might encounter; and
- the income and other tax consequences which may apply to them as a result of the receipt, acquisition, purchase, holding, transfer or disposal of Ordinary Shares. Old Mutual plc Shareholders must rely upon their own representatives, including their own legal advisers and accountants, and not those of the Company, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

The information contained in this Pre-listing Statement constitutes factual information as contemplated in section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act, 37 of 2002 (as amended) ("FAIS Act") and should not be construed as an express or implied recommendation, guidance or proposal that any particular transaction in respect of the Ordinary Shares is appropriate to the particular investment objectives, financial situations or needs of an Old Mutual plc Shareholder, and nothing in this Pre-listing Statement should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa, the United Kingdom, Malawi, Namibia, Zimbabwe or any other jurisdiction.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Sponsors (as defined in Annexe 18 to this Pre-listing Statement) or Joint Financial Advisers in terms of applicable laws and regulations, none of the Sponsors, Joint Financial Advisers or any person affiliated with each of them accepts any responsibility whatsoever, nor makes any representation or warranty, express or implied, in respect of the contents of this Pre-listing Statement and/or any information incorporated by reference, including its accuracy, completeness or verification or for any other statement made or purported to be made by any of them, or on behalf of them, in connection with the Old Mutual plc Group (as defined in Annexe 18 to this Pre-listing Statement), Quilter plc, the Company, the Group and/or the Managed Separation and nothing in this Pre-listing Statement is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. The Sponsors and Joint Financial Advisers accordingly disclaim, to the fullest extent permitted by applicable law, all and any responsibility and liability whatsoever, whether arising in delict, tort, contract or otherwise (save as referred to above) which either might otherwise have in respect of this Pre-listing Statement.

The Sponsors and Joint Financial Advisers are acting exclusively for Old Mutual plc and the Company and no one else in connection with the Admissions. They will not regard any other person (whether or not a recipient of this Pre-listing Statement) as their respective customers in relation to the Admissions and will not be responsible to anyone other than Old Mutual plc and the Company for providing the protections afforded to their respective customers nor for giving advice in relation to the Admissions or any transaction or arrangement referred to in this Pre-listing Statement.

## ENFORCEMENT OF FOREIGN JUDGMENTS IN SOUTH AFRICA

The Company is a public company incorporated under the laws of South Africa with a significant portion of the assets of the Group located in South Africa. In addition, most of the directors of the Company ("Directors") and members of Senior Management (as defined in Annexe 18 to this Pre-listing Statement) are resident in South Africa. As a result, it may not be possible for Old Mutual plc Shareholders to effect service of process upon such persons or to enforce any judgments obtained in the courts of foreign jurisdictions against them.

As a matter of policy, South African courts are inclined to enforce foreign judgments provided certain thresholds are satisfied, particularly in view of the principles of comity and reciprocity. Foreign judgments in this context would include judgments procured from other national courts as well as international judicial forums or tribunals. A foreign judgment is not directly enforceable in South Africa, but constitutes a cause of action that will be enforced by South African courts provided that:

- the court that pronounced the judgment had jurisdiction and international competence to entertain the case according to the principles recognised by South African law with reference to the jurisdiction of foreign courts. A foreign judgment may not be recognised in South Africa if the foreign court exercised jurisdiction over the defendant in circumstances where a South African court would not exercise jurisdiction over a defendant (even where the foreign court exercised jurisdiction in line with its domestic procedures);
- the judgment is final and conclusive (that is, it cannot be altered by the court that pronounced it);
- the judgment has not lapsed;
- the recognition and enforcement of the judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice, which require that the documents initiating the foreign proceedings were properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal. Usually, a fundamental breach of justice or procedural unfairness is relevant and not merely minor procedural irregularities;
- the judgment was not obtained by fraudulent means;
- the judgment must not be in conflict with a South African statute;
- the judgment does not involve the enforcement of a penal or revenue law of the foreign state; and
- the enforcement of the judgment is not otherwise precluded by the provisions of the South African Protection of Businesses Act, 99 of 1978 (as amended). That Act requires that consent of the Minister of Economic Development is sought for enforcement of certain judgments, but South African courts have, to date, interpreted this requirement as applying only in circumstances where the claim is connected in 1 or other way to raw materials and products.

It is the policy of South African courts to award compensation for the loss or damage actually sustained by the person to whom the compensation is awarded. Although the award of punitive damages is generally unknown to the South African legal system, such awards handed down in foreign jurisdictions are not necessarily contrary to public policy. Whether or not the enforcement or recognition of a foreign judgment is contrary to public policy will depend on the facts of each case. Exorbitant, unconscionable or excessive awards will generally be contrary to public policy. In this respect, in 1 instance, an award of punitive damages, which was equivalent to 100% of ordinary damages, was held to be excessive and was not enforced, but much will depend on the circumstances of the case. South African courts will not enter into the merits of a foreign judgment and will not act as a court of appeal or review over a foreign court. The South African courts' assessment of foreign judgments is usually confined to jurisdictional and procedural matters, although public policy (including considerations pertaining to the Constitution of the Republic of South Africa, 1996) imports certain substantive dimensions.

South African courts will usually implement their own procedural laws and, where an action based on a contract governed by a foreign law is brought before a South African court, the capacity of the parties to the contract will usually be determined in accordance with South African law. It is doubtful whether an original action based on the securities laws and regulations of the foreign jurisdictions can be brought before South African courts.

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## PART I

### SUMMARY INFORMATION

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*The information disclosed in this section is a summary of the more detailed information contained in the main body of this Pre-listing Statement. Old Mutual plc Shareholders should read the entire Pre-listing Statement, including "Part II – Risk Factors" and the historical consolidated financial information and other information about the Company contained herein.*

The form and content of the summary below are prescribed by the UK Prospectus Rules and required to be included for the purposes of Admission of the Ordinary Shares to trading on the LSE. The statements in Section A.1 in relation to claims that are based on the summary are only applicable where claims are brought on the basis of the UK Prospectus Rules and do not alter the rights or liabilities of any person in relation to this Pre-listing Statement for the purposes of the Admission of the Ordinary Shares on the JSE, the Malawi Stock Exchange, the Namibian Stock Exchange and the Zimbabwe Stock Exchange.

Summaries consist of disclosure requirements known as "Elements". These Elements are numbered in Sections A to E (A.1 to E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. As some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "not applicable".

#### Section A – Introduction and Warnings

A.1	Warning to Old Mutual plc Shareholders	This summary should be read as an introduction to this Pre-listing Statement. Any decision to invest in the Ordinary Shares should be based on consideration of this Pre-listing Statement as a whole. Where a claim relating to the information contained in this Pre-listing Statement is brought before a court, a plaintiff investor might, under the national legislation of the European Economic Area Member States, have to bear the costs of translating this Pre-listing Statement before the legal proceedings are initiated. Civil liability attaches to the Directors and the Company, who are responsible for this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Pre-listing Statement or if it does not provide, when read together with the other parts of this Pre-listing Statement, key information in order to aid Old Mutual plc Shareholders when considering whether to invest in the Ordinary Shares.
A.2	Consent for intermediaries	Not applicable.

#### Section B – Company

B.1	Legal and commercial name	Old Mutual Limited
B.2	Domicile and legal form of the Company	<p>The Company was registered and incorporated in South Africa as a private company on 29 May 2017 and was converted to a public company on 6 March 2018 with registration number: 2017/235138/06. The Company operates under the Companies Act.</p> <p>Immediately prior to listing on the JSE, the Company will be inserted as the holding company of Old Mutual plc pursuant to a scheme of arrangement (the "Second Scheme").</p>

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B.3	Current operations and principal activities	<p>In March 2016, the Old Mutual plc Board announced that the long-term interests of Old Mutual plc Shareholders and other stakeholders would be best served by separating the four businesses then owned by the Old Mutual plc Group from each other so that they could operate as fully independent businesses. This was described as a “Managed Separation”. In June 2016, Old Mutual plc announced that it intended to execute Managed Separation by means of one or more transactions, which would deliver two separate entities, listed on both the LSE and the JSE, into the hands of Old Mutual plc Shareholders. One entity, being Quilter plc, would consist principally of Old Mutual plc’s UK wealth management operations and would be domiciled and have its primary listing in the UK. The other entity, being the Company, would be the new holding company of the Group and consist principally of the Old Mutual plc Group’s emerging markets operations. The Company would be domiciled and have its primary listing in South Africa and, following a reorganisation of the Old Mutual plc Group, Old Mutual plc would delist and become a wholly-owned subsidiary of the Company.</p> <p>The Group has an ambition to become a premium financial services group in sub-Saharan Africa and currently offers a broad spectrum of financial solutions to retail and corporate customers across key markets in 17 countries. The Group primarily operates in South Africa and the rest of Africa, and has niche businesses in Latin America and China. The Group holds a 53% stake in the issued share capital of Nedbank, which primarily operates in South Africa, the Rest of Africa and the United Kingdom, of which 1% is held on behalf of policyholders with the remaining 52% held in shareholder funds. After the Nedbank Unbundling, the Group will retain a minority interest of 19.9% of the issued share capital of Nedbank in its shareholder funds.</p> <p>The Group’s lines of business include Life and Savings, Property and Casualty, Asset Management and Banking and Lending. It distributes products and services to customers through a multi-channel distribution network spanning tied and independent advisers, branches, bancassurance, direct and digital channels, and worksites. The Group is recognised as a leading long-term insurance brand, ranking first in the long-term insurance business-to-consumer category in South Africa for 13 consecutive years according to the Sunday Times Top Brands Awards. It is also a Top Employer in South Africa, ranking first for financial services and insurance companies for 7 consecutive years, and first overall in South Africa for 2018 according to the Top Employers Institute. The Group is certified as a Top Employer across all 13 African countries in which it operates according to the Top Employers Institute. The Group’s retail customers have a wide range of income levels and numbered 12 million as at 31 December 2017, while the Group’s corporate and institutional customers, ranging from small to large businesses and institutions, numbered 5,700 as at 31 December 2017.</p> <p>The Group is well-positioned in the Southern African Development Community (“SADC”), while having exposure to key growth markets in East and West Africa. The Group has a track record of improving RoNAV, cash generation and capital strength, which it aims to maintain going forward while reducing costs across the organisation. The Group’s success in South Africa has been underpinned by its extensive tied adviser network and branch footprint, a combination which gives the Group a competitive advantage when compared to its traditional insurance peers. To ensure it remains competitive, the Group is investing in (i) technology to improve the customer experience across both its adviser and branch footprint, while enhancing its digital distribution channels, and (ii) the skills and competencies it requires in the future. The Group also has one of the most transformed executive leadership teams in the insurance industry in South Africa in terms of gender and race. The Group also adopts a disciplined approach to capital allocation decisions and ensures that it manages all risks within its risk framework.</p>
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		<p>The Group manages its business through 7 operational segments.</p> <ul style="list-style-type: none"> <li>• <b>Mass and Foundation Cluster</b>, 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 (which the Group defines as individuals earning from R1,000 to R20,000 monthly). These products are divided into 4 categories: (i) risk, including funeral cover, (ii) savings, (iii) lending and (iv) transactional products.</li> <li>• <b>Personal Finance</b>, 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 (which the Group defines as individuals earning from R20,000 to R80,000 monthly).</li> <li>• <b>Wealth and Investments</b>, a segment which operates across Life and Savings and Asset Management through 4 distinct businesses: (i) Old Mutual Wealth (SA), a retail segment targeting high income and high net worth (“HNW”) individuals, whom the Group defines as individuals earning in excess of R80,000 monthly, that provides vertically integrated advice, investment solutions and funds, and other financial solutions, (ii) Old Mutual Investment Group, comprising 8 investment boutiques that provide asset management services to retirement and benefit funds and to the retail market in partnership with Old Mutual Wealth (SA), (iii) Old Mutual Alternative Investments, an unlisted alternatives investment business, and (iv) Old Mutual Specialised Finance, a proprietary risk and investment capability which manages and supports the origination of assets.</li> <li>• <b>Old Mutual Corporate</b>, which operates in Life and Savings. The segment primarily provides group risk, investments, annuities and consulting services to employer-sponsored retirement and benefit funds.</li> <li>• <b>Old Mutual Insure</b>, which operates in Property and Casualty. The segment provides property and casualty insurance products to the personal, commercial and corporate markets through 3 operational businesses: (i) personal, (ii) commercial, and (iii) corporate and specialty.</li> <li>• <b>Rest of Africa</b>, which 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 3 regions: SADC, East Africa and West Africa.</li> <li>• <b>LatAm and Asia</b>, which operates in Life and Savings and Asset Management in various countries. In Colombia, the segment offers life insurance, asset management, stock brokering and pension fund administration; in Mexico, it offers asset management and life insurance; and it distributes international products in the Latin America region from its operations in Uruguay. In China, the segment offers life insurance through its joint venture (50%) with the China Guodian Corporation. On 15 March 2018, OMSA and Lily Purchaser entered into the OMLAH SPA and AIVA SPA, in terms of which, <i>inter alia</i>, OMSA will dispose of its interests in OMLAH (ie Colombia and Mexico) and AIVA, including their direct and indirect subsidiaries and subsidiary undertakings, through which the Group’s business in Latin America (ie Colombia and Mexico) is currently conducted. These agreements are subject to certain conditions precedent, including obtaining the required regulatory approvals in the relevant jurisdictions. On implementation of these transactions, the Group will no longer have any operations in Latin America.</li> </ul>
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		<p>The Group holds a 53% stake in the issued share capital of Nedbank, which primarily operates in South Africa, the Rest of Africa and the United Kingdom, of which 1% is held on behalf of policyholders with the remaining 52% held in shareholder funds. After the Nedbank Unbundling, the Company will retain a minority shareholding of 19.9% in Nedbank in its shareholder funds to underpin the ongoing commercial relationship. The level of the 19.9% minority shareholding in Nedbank was determined through negotiations with Nedbank and discussions with the South African Reserve Bank ("SARB") and the FSB in order to provide stability to the broader financial system and the respective investor bases of Nedbank and the Company during the Managed Separation, whilst also supporting ongoing commercial arrangements. The Group is committed to being a significant minority shareholder of Nedbank with board nomination rights while retaining a right to review its precise shareholding as appropriate from time to time, in accordance with the protocols outlined in a new relationship agreement, which was entered into with Nedbank on or around the date of the Pre-listing Statement.</p> <p><b>STRENGTHS</b></p> <p><b>Strong track record of profitable growth in South Africa</b></p> <p>The Group has a track record of profitable growth in spite of macroeconomic uncertainty and volatility in the markets in which it operates. Senior Management aims to continue to build on the Group's strong track record of earnings growth in order to bring it further in line with its customer growth and will seek to do this through the focused delivery of its strategy.</p> <p><b>Growth prospects in key focus regions</b></p> <p>The Board believes that the Group's presence in key sub-Saharan African geographies positions it favourably to capitalise on further growth opportunities and believes that there is potential for it to build on its established market positions across southern Africa. During the 2017 financial year, South Africa contributed 85% to the Group's Results from Operations, the primary measure of the business performance of the Group's segments, and generated consistent positive cash flows over the last 3 financial years. The Board believes that the Group is uniquely positioned in East Africa through its multiple lines of business, which allow the Group to cross-sell products, including the sale of insurance products, through its micro-lending subsidiary, Faulu. The Board believes that technology will accelerate the dissemination of financial services in East Africa, which has historically been an underpenetrated financial services market, and accordingly believes it will be able to leverage its existing operations to grow its customer base. In West Africa, rapid population growth is accompanied by an underpenetrated financial services market. The Group currently has limited exposure to the West African market but the Board believes there is a similar opportunity for growth over the longer term.</p> <p><b>Well-positioned in chosen markets</b></p> <p>The Group is well-positioned across each of the African jurisdictions in which it operates. In South Africa, the Group is ranked first on a gross written premium ("GWP") basis in Life and Savings (2016 <i>Annual Report of the Long-Term Insurance Industry, FSB</i>), second on a GWP basis in Property and Casualty (2016 <i>Annual Report of the Short-Term Insurance Industry, FSB</i>) and third on an AUM basis in retail asset management (ASISA). In the Rest of Africa, the Group is strongly positioned across financial services in Zimbabwe, where it is ranked first in Life and Savings (2016 <i>Annual Report, IPEC</i>), Property and Casualty (2016 <i>Annual Report, IPEC</i>) and Asset Management (SECZ), and second in Banking and Lending (RBZ); and in Namibia, where it ranks first in Life and Savings (<i>Quarterly Statistical Bulletin, NAMFISA</i>) and second in Asset Management (<i>Quarterly Report, Association of Unit Trusts Namibia</i>), and Property and Casualty (<i>Quarterly Statistical Bulletin, NAMFISA</i>). The Group also has a strong proposition in Kenya, where it is second in Property and Casualty including health (IRA) and second in micro-finance in Kenya (CBK). In addition to operating under the primary Old Mutual brand, the Group offers its products and services through other well-established brand names, including CABS in Zimbabwe and UAP Old Mutual across East Africa, which the Board believes consumers associate with trust and integrity.</p>
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		<p><b>Extensive product and service offering catering to all customer needs</b></p> <p>The Group has extensive product and service offerings across the geographies in which it operates, particularly in Southern Africa, the South African Development Community and East Africa. These products and services span the full spectrum of financial services, including Life and Savings, Property and Casualty, Asset Management and Banking and Lending. The Board believes that the Group needs to be flexible in both its product offering and its distribution channels to enable it to be successful across markets and jurisdictions and therefore it tailors its approach to the particular needs of each local market. The Board believes that it can leverage its existing scale efficiently and sustainably to gain competitive advantage in these markets.</p> <p><b>Multi-channel distribution network and largest reach of traditional South African peers</b></p> <p>The Board believes that the Group’s South African distribution network represents a significant strength as the geographic reach of its operations gives it an advantage relative to its traditional South African peers. The Group distributes its products through tied and independent advisers, branches, bancassurance, worksites, direct (e.g. call centres) and digital channels. In South Africa, the Group’s extensive adviser network is the primary means through which it sells its products and services to retail customers. Based on available public disclosures, the Group had both the largest tied adviser network and the largest customer-facing branch footprint in South Africa amongst its traditional insurance company peers as at 31 December 2016. The branch network is a key part of its strategy of delivering customer value by providing a seamless experience. The branch footprint enables sales across multiple financial services needs and provides full breadth of customer servicing across the Group’s product portfolio. Over the last 3 years, the Group has also grown its direct and digital channel sales in South Africa in response to the increasing preference of customers to purchase financial services products online. In the 2010 financial year, the Group launched iWyze as a direct digital distribution channel for its property and casualty insurance products. In the 2015 financial year, the Group launched the Old Mutual Tax Free Savings Account online. In the 2017 financial year, the Group launched a direct life insurance proposition through iWyze.</p> <p><b>New and agile management team structured to deliver</b></p> <p>The Group’s CEO, Peter Moyo, was appointed effective 1 June 2017 after serving as Chairman of Vodacom Limited and chief executive officer of both NMT Capital and Alexander Forbes. Between 2000 and 2005, Peter was the deputy managing director of Old Mutual South Africa. Following his appointment as CEO, Peter restructured the Group’s leadership and reporting lines, refreshing the personnel at the executive level by bringing the managing directors of the customer-facing segments into the executive committee of the Company. The restructuring included the creation of the Wealth and Investments segment, which incorporates Old Mutual Investment Group and Old Mutual Wealth (SA). Casper Troskie was appointed as CFO effective from 27 March 2018. These changes sharpened the operational focus of Senior Management with the goal of improving the delivery of the Group’s services to its customers. The members of the new Senior Management team all have extensive experience in financial services and in their respective market segments.</p> <p><b>Strong Board and governance structure in place</b></p> <p>In preparation for the Admissions, the Group has also strengthened and expanded its governance structures above Senior Management. The non-executive membership of the Board comprises 9 Directors from the board of directors of Emerging Markets and 7 new non-executive Directors. Peter Moyo, Ingrid Johnson and Casper Troskie are the 3 Executive Directors on the Board. Ingrid Johnson was the acting CFO, in addition to her role as Group Finance Director for Old Mutual plc, from November 2017 to March 2018, she will remain an Executive Director until June 2018 to ensure a smooth transition of executive responsibilities to Casper Troskie and she will become a non-executive director with effect from July 2018 and remain on the Board until at least March 2019. The Directors have a wealth of experience across the Group’s segments and lines of business and extensive JSE-listed company experience.</p>
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		<p><b>STRATEGY</b></p> <p>The Group's vision is to become its customers' most trusted partner and to help them reach their financial goals. Its strategy is rooted in this vision and achieving its ambition to become a premium African financial services group in sub-Saharan Africa. Its business model positions it to deliver on this vision. By focusing on its customers' needs both in its asset gathering (for example, by promoting financial inclusion and providing financial education and advice) and in its asset management (for example by deploying funds responsibly into infrastructure, renewable energy and housing) activities, the Group remains relevant in the face of social, environmental and technological change. The Group also seeks to ensure that it provides tailored solutions to customers and builds long-term relationships with them. During the second half of the 2017 financial year, the Group conducted a strategic review to determine the best direction for the business following the announcement of the Managed Separation. Based on this review, the Group identified 3 overarching medium-term priorities: (i) consolidating and growing the Group's position in markets where it is a market leader; (ii) improving key underperforming businesses; and (iii) building long-term competitive advantage. By focusing on these strategic initiatives, the Group is targeting to grow at a CAGR of nominal GDP growth plus 2% over the 3 years to 2020 in Results from Operations. GDP growth is defined with reference to South Africa. To support the execution of these strategic initiatives, the Group prioritises investing in people and technology, and being the leader in cost efficiency. These 3 priorities are broken down into 8 "battlegrounds" which are:</p> <ul style="list-style-type: none"> <li>• Defend South African market share in the mass and corporate markets;</li> <li>• Defend and grow in the South African personal finance market;</li> <li>• Improve the competitiveness of Wealth and Investments;</li> <li>• Continued turnaround of Old Mutual Insure;</li> <li>• Turnaround of East Africa and improve returns across the Rest of Africa;</li> <li>• Win the war for talent;</li> <li>• Refresh the Group's technology offering; and</li> <li>• Cost efficiency leadership.</li> </ul>
B.4a	Macroeconomic environment	<p><b>South Africa</b></p> <p>Since the financial crises in the late 2000s, South Africa has recorded subdued economic growth which has steadily slowed, reaching 1.3% during 2015 and 0.3% during 2016 as a result of drought, commodity price pressure and political uncertainty leading to low business and consumer confidence levels (<i>IMF</i>). Notwithstanding slower growth in 2015 and 2016, South Africa's economic growth recovered in 2017, registering 1.3% growth which exceeded National Treasury's expected growth of 1.0% (<i>National Treasury</i>). This was supported by a recovery in the agricultural sector as the drought eased in certain regions and also by an increase in mining output. Economic growth is forecasted at 0.9% in 2018 and 0.9% during 2019 (<i>IMF</i>). Political uncertainty and perceptions of weakening governance have been major themes over the last 3 to 5 years, and have been reflected in financial market activity.</p> <p><b>Rest of Africa</b></p> <p>Sub-Saharan Africa experienced reduced GDP growth in recent years, falling from 5.1% in 2014 to 1.4% in 2016, impacted by external factors such as low oil and commodity prices, Ebola concerns negatively impacting tourism and investment and drought conditions (<i>IMF</i>). As these factors subside and policy reform begins to take effect, the region is expected to have the second fastest growth rate in the world at 3.5% in 2018 (<i>IMF</i>), second to Asia.</p> <p>Within sub-Saharan Africa, there are clear regional differences. East Africa has the highest growth rate at 5.5% over the past 3 years, driven by Ethiopia, Kenya, Rwanda and Tanzania, which have some of the fastest growing economies in the world (<i>IMF</i>). Conversely, in SADC, Zimbabwe has experienced prolonged periods of depressed economic growth, and continued political uncertainty resulting in stagnant policy reform. However, the dollarisation of the Zimbabwean economy in 2009 and a gradual improvement in agricultural production has led to recent moderate stability.</p>

		<p><b>Latin America and China</b></p> <p>GDP growth of 5.5% per annum for Colombia and 5.3% for Mexico is expected over the next 3 years (<i>IMF</i>). GDP per capita in China has been growing at 4.6% per annum since 2013 (<i>IMF</i>).</p> <p><b>Consumer and Demographics Trends</b></p> <p><b>South Africa</b></p> <p>Population growth in South Africa is expected to be modest during 2018 (<i>IMF</i>) at 1.6%, taking the population to an estimated 58.6 million by 2019. Despite positive Living Standards Measure migration trends, South African consumers are highly indebted and a weak economic environment in recent years has put pressure on disposable income. Given the level of job creation as well as the rapidly rising working-age population, the unemployment rate is set to further increase (<i>IMF</i>).</p> <p><b>Rest of Africa</b></p> <p>Sub-Saharan Africa has supportive demographics, with the working-age (ages 15 – 64 years) population expected to reach 1.7 billion by 2030 with 57% of the current population under the age of 25 (<i>UN World Population Prospects</i>).</p> <p><b>Latin America and China</b></p> <p>Colombia has a population of 49 million, while Mexico has a population of 124 million. Colombia and Mexico have a high youth population with approximately 60% of the population aged 35 years or younger (<i>UN World Population Prospects, Population by age 2015</i>). China has a large population of 1.4 billion that is increasingly being urbanised (<i>IMF</i>).</p> <p><b>South African Life Insurance Industry</b></p> <p>The South African life insurance market is highly competitive, due to the long-term presence of a number of local financial institutions that have historically dominated the sector, with the top 5 providers capturing approximately 63% of total premiums in 2016 (<i>2016 Annual Report of the Long-Term Insurance Industry, FSB</i>). Many non-financial services players have been capturing market share in the low and lower middle income markets given the commoditised and simple nature of, and higher margins associated with, the funeral product. These non-traditional companies include the likes of banks, retailers and mobile network operators and typically have large customer bases providing them the ability to distribute products widely at low cost. In the middle income segment, traditional players are expanding their customer offerings, and integrating rewards programmes. New players are entering the space with technology-enabled, lower cost and flexible product offerings. The employee benefits sector is serviced by a number of competitors, including the established large life insurers in South Africa which have been expanding their retirement benefits offering into a full service proposition.</p> <p>Key market trends include:</p> <ul style="list-style-type: none"> <li>• <i>Premium growth:</i> Growing per-capita incomes remain a key growth driver of the life insurance market as insurers increasingly provide products which cater specifically for low income households. Moreover, as disposable incomes rise and the ranks of middle-class consumers grow, mainly driven by the growing black middle income market, there will be growing awareness of the need for life insurance products.</li> <li>• <i>Retail market:</i> The retail market product offering has been undergoing a number of shifts. Firstly, there has been an increase in the offering of modular risk products. Secondly, there has been an increase in living annuity purchases as opposed to life annuities. Finally, the market has seen the growing popularity of reward programmes as a way to attract and retain customers in the middle-income market, by increasing customer product cross-holding through an integrated offering, improve customer persistency and using data analytics to drive favourable consumer behaviour.</li> </ul>
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		<ul style="list-style-type: none"> <li>• <i>Retail distribution:</i> Distribution within South Africa remains predominantly via brokers. The retail distribution review proposed reforms to the regulation of the distribution of financial products to retail customers seeking to ensure that financial advisers and other providers of products and services act in the best interest of the customer. The reforms include removing conflicts of interest around product provider bias and remuneration structures, improved transparency of product charges and service fees, and improved disclosure of the nature of any relationships between product providers and intermediaries. Implementation of the changes commenced in early 2017 and is expected to impact the shape and profile of insurance distribution channels. It is anticipated that tied distribution will grow relative to other face-to-face models, and many independent financial advisers will consolidate. Direct and digital models are also growing due to customer engagement preferences in the younger demographic. As a result, there has been a gradual move towards a multi-channel distribution strategy that includes both direct and digital distribution.</li> <li>• <i>Employee benefits market:</i> Retirement fund reform seeks to address South Africa's relatively low retirement fund coverage and historically poor retirement outcomes. Measures that will be taken to promote preservation and annuitisation present opportunities, but measures to address costs will put pressure on margins. There is also a latent risk of crowding out of the private sector retirement fund market if a high benefit, high contribution rate compulsory National Social Security Fund is established in the future. Since 2016, the employee benefits sector recorded poor underwriting experience in the group risk market, especially around income replacement in respect of disability benefits.</li> </ul> <p><b>South African Property and Casualty Insurance Industry</b></p> <p>The property and casualty insurance market in South Africa is sophisticated and well-developed in the context of international markets with a comprehensive product offering to personal, corporate and commercial consumers, across motor, property, personal accident, healthcare and other niche products. Based on estimates by BMI and the FSB, the South African property and casualty insurance market is expected to continue to record steady growth, but lag the growth of the life insurance sector in terms of overall premiums written. Historically, competition in this sector has been between local South African players.</p> <p>Key market trends include:</p> <ul style="list-style-type: none"> <li>• <i>Premium growth:</i> Primary insurer GWP grew at approximately 5% over the period between 2015 and 2016, driven by an increase in the property segment (FSB). Further recovery in the motor insurance segment is expected given an increase in new vehicle sales of 1.5% in 2017 (BMI). Personal lines property insurance is expected to generate better volumes as first-time home owners enter the property insurance market and residential construction grows, but pricing pressure is expected to remain as market players look to retain market share (BMI).</li> <li>• <i>Claims volatility and outlook:</i> Overall property and casualty insurance claims costs have increased disproportionately over the last 5 years, but the market loss ratio remained relatively flat. Approximately 80% of property and casualty insurance claims were incurred in the motor and property insurance segments (BMI). Motor claims costs have been negatively impacted by the significant volume of uninsured cars on South African roads with poor safety records and significant currency volatility, impacting on the cost of imported parts (BMI). The pace of global climate change is potentially inducing more frequent and intense natural disasters, especially in South Africa, and increases the catastrophe level claims experienced.</li> <li>• <i>Market consolidation:</i> Rising operating costs, largely driven by new regulatory compliance requirements and an increase in acquisition costs, have been outpacing profit and premium growth. This has created financial challenges for smaller players to survive on a standalone basis, driving mergers and acquisition activity within the market.</li> </ul>
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		<ul style="list-style-type: none"> <li>• <i>Disruptive technologies:</i> The growing use of a broad range of technology is expected to positively drive customer service, product developments, new distribution channels as well as improving operational efficiencies. Technological advancements in big data, machine learning, the internet of things, robotics and telematics mean insurers are increasingly able to tailor their product offering based on customer preferences and better price risks based on unique customer behaviour.</li> </ul> <p><b>South African Asset Management Industry</b></p> <p>The institutional market is concentrated among the 5 largest players, which includes the Group. There has been increasing competition from emerging independent boutique managers and passive investment players.</p> <p>Key market trends include:</p> <ul style="list-style-type: none"> <li>• <i>Asset flows:</i> The retail market has been growing at almost 3 times the growth rate of the institutional market, at 18% CAGR between 2011 and 2016 relative to 6% for the institutional market, with retail growth largely driven and dominated by independent financial advisers (<i>Alexander Forbes</i>). Given concerns around the political and economic uncertainty in South Africa, there has been increased investor appetite for offshore exposure.</li> <li>• <i>Asset mix:</i> From an asset class perspective, growth within the retail segment has primarily been in the multi-asset class sector, fuelled by a low interest rate environment and in anticipation of retail distribution review reforms, as investors and advisers look to solutions-based products to chase risk-adjusted yield and manage advice risk, respectively. In line with the global trend, there has been a significant increase in allocations to passive assets and smart beta. There has also been an increasing allocation from local pension funds and institutions into unlisted assets such as private equity, and alternative assets such as infrastructure and renewables. The need to resolve the deficit in infrastructure spend through public and private partnerships and the increasing incorporation of environmental and social governance into investment mandates are expected to continue to drive significant investments in renewable energy, housing, and other forms of infrastructure across the continent.</li> </ul> <p><b>South African Wealth Management Industry</b></p> <p>The wealth management industry offers financial planning and advice to affluent and HNW individuals. Key competitors in the wealth market are the large private banks.</p> <p>Key market trends include:</p> <ul style="list-style-type: none"> <li>• <i>Full discretion private customer portfolios:</i> There is room for growth within the discretionary private customer market segment as 21.5% (vs. 10.4% for the rest of the world) of HNW investors do not yet place their assets with a wealth manager and the demand for discretionary mandates is strong (<i>Global Data, Wealth in South Africa: HNW Investors 2017</i>).</li> <li>• <i>Asset allocation:</i> Greater use of alternative investment strategies is expected, in line with international experience. These include hedge funds, private equity and a variety of unlisted assets.</li> <li>• <i>Consolidation in independent financial advisers as retail distribution review takes hold:</i> There is an expectation that independent financial advisers will consolidate towards fewer numbers of scaled players as the cost of regulation adherence becomes too high for small independent financial advisers to absorb. Smaller independent financial advisers will likely corporatise, consolidate or move to tied distribution.</li> <li>• <i>Distribution:</i> While face-to-face engagement remains the main distribution channel, there is increasing demand for seamless access to multiple ways of engaging. In the investment platform and Collective Investment Scheme part of the industry, distribution is dominated by independent financial advisers. This pattern is forecast to shift over the next 10 years, with bank brokers, tied advisers and direct channels gaining some market share as independent financial advisers consolidate.</li> </ul>
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		<p><i>Competitive pricing in retail platform administration:</i> The charging structures of platforms have been trending down over the last 5 years and competition levels are high due to low margin platforms, the retail distribution review and increased disclosure over the last few years leading to clean pricing and improved technology and automation driving actual cost of service to lower levels.</p> <p><b>Banking and Lending Industry</b></p> <p><b>South Africa</b></p> <p>The market is highly concentrated with the top 5 banks (which includes Nedbank) sharing approximately 91% of market share by total assets (FSB).</p> <p>Key trends include: (i) muted macro-economic conditions since 2014 and heightened uncertainty have led to lower levels of revenue growth particularly in the retail segment; (ii) slower economic growth which is to pose a challenge to repayments, and which could potentially trigger higher provisioning costs and impact profitability; and (iii) retail deposits having grown faster than retail advances in 2016 (SARB), which has supported improving industry funding and liquidity ratios.</p> <p><b>Zimbabwe</b></p> <p>Zimbabwe's banking system is exposed to high levels of risk as a result of the country's ongoing economic problems. The cash shortage, though somewhat mitigated by the issue of bond notes, has left banks unable to meet the cash withdrawal requirements of customers. In terms of solvency, the banking sector appears to be on a stable footing, with most institutions achieving the minimum 12% capital adequacy ratios.</p> <p><b>Kenya</b></p> <p>The challenging environment and competitive pressures in Kenya, with 3 banks collapsing between 2015 and 2016, have created uneasiness in customers towards the banking sector, particularly the tier II and III banks. The key trends are: (i) banks moving away from "high risk" borrowers, who cannot fit within the 4% risk margin from accessing credit, as a result of interest rate caps that were recently introduced; and (ii) the negative impact of the challenging business environment on the quality of loans.</p> <p><b>Rest of Africa Insurance Industry</b></p> <p>Insurance premiums across sub-Saharan Africa (excluding South Africa) are small. In SADC, the markets are more concentrated and dominated by traditional large, South African listed insurance players. In East Africa and West Africa, the markets are more fragmented and are generally dominated by large regional insurers.</p> <p>Key trends include:</p> <ul style="list-style-type: none"> <li>• Total premium volumes reached USD16.63 billion in 2016, up from USD14.56 billion in 2011. This equates to an average annual growth rate of 2.7%, which is almost 4 times the global growth rate of 0.7% over the same period (<i>Swiss Re sigma</i>). In SADC, insurance penetration (excluding South Africa) is approximately 2% to 4% in the constituent countries, bar Namibia, which has a high penetration of 9%. SADC differs from the other regions in that the majority of premiums come from life insurance sales. In East Africa, Kenya has the highest level of insurance penetration at 2.8%, with Tanzania and Uganda at 0.7% and 0.8%, respectively. The Rwandan market has a penetration of 1.7%. The East African market is dominated by property and casualty sales to a greater degree than West Africa. In West Africa, insurance penetration remains low, with Nigeria exhibiting a rate of 0.3% and Ghana 1.1% (Axxco).</li> <li>• African markets have also witnessed the rapid development and adoption of new technologies, particularly digital technologies, such as mobile phones and broadband internet. Digital distribution, primarily through mobile phones, forms a small part of the distribution mix but is expected to gain in prominence. Consequently, partnerships between insurance providers and mobile network operators are gaining momentum.</li> </ul>
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## Section B – Company

		<p><b>Latin America Saving and Investments Industry</b></p> <p>As consumers become more sophisticated, there is a shift from banking deposits to long-term savings and investment products with asset managers and mutual funds that offer specialised boutiques. Insurance-wrapped investments are rapidly gaining popularity as a way to effectively manage tax benefits and grow assets for transfer of wealth, particularly in Mexico. Defined contribution or hybrid pension plans are increasingly replacing more capital-intensive defined benefits plans.</p> <p><b>China Insurance Industry</b></p> <p>China is the third largest life insurance market globally. Life insurance penetration remains low by developed market standards, at 2.3%. This is expected to increase on the back of growing per capita incomes, greater insurance awareness and government efforts to grow traditional risk products in the market (<i>SwissRe Sigma Report, 2017</i>).</p>
B.5	Description of the Group and the Company's position within it	The Company is a holding company which, with effect from the insertion of the Company as the holding company of Old Mutual plc pursuant to the Second Scheme immediately prior to Admission on the JSE, will be the new ultimate parent company of the Group.
B.6	Major shareholders	<p>As at 16 April 2018 (being the Last Practicable Date prior to publication of this Pre-listing Statement), Carin Ogden (a director of CoSec Consulting Services, the service provider appointed by Old Mutual plc to provide and customise the Company) was the only person who, directly or indirectly, could exercise or does exercise control over the Company and held 1 Ordinary Share, representing 100% of the issued share capital of the Company.</p> <p>Other than pursuant to the Managed Separation, there have been no changes to the controlling shareholders of the Company and its Major Subsidiary during the 5 years prior to the Last Practicable Date.</p> <p>Pursuant to the Managed Separation, the Old Mutual plc Shareholders at the record time for the Second Scheme shall become the Shareholders of the Company following such scheme becoming effective.</p> <p>After implementation of the Managed Separation, it is expected that no single Shareholder, or group of Shareholders acting in concert, will control the Company.</p> <p>As at 6 April 2018, the major shareholders (ie a shareholder, other than a Director, that, directly or indirectly, is beneficially interested in 5% or more of a class of securities issued by an issuer) of Old Mutual plc are, and if they retain their interests in Old Mutual plc, at the time of the Second Scheme ("Second Scheme Effective Time") the major shareholders of the Company are expected to be:</p>

## Section B – Company

		Shareholders holding Ordinary Shares			
		Shareholder name	Number of Ordinary Shares held at the Last Practicable Date <sup>(1)</sup>	% of Ordinary Shares held at the Last Practicable Date <sup>(1)</sup>	% of Ordinary Shares held at the Second Scheme Effective Time
		Carin Ogden <sup>(2)</sup>	1	100	–
		Allan Gray Proprietary Limited	–	–	9.48%
		Public Investment Corporation (SOC) Limited	–	–	9.19%
		BlackRock, Inc.	–	–	6.60%
		<b>Total</b>	<b>1</b>	<b>100</b>	<b>25.28%</b>
		<b>Notes:</b> 1. Without taking into account the Managed Separation. 2. A director of CoSec Consulting Services, the service provider appointed by Old Mutual plc to provide and customise the Company.  Save as disclosed above, the Directors are not aware of any holdings of voting rights which are expected to represent 5% or more of the total voting rights in respect of the issued share capital of the Company following the Admissions. The major Shareholders do not have and will not have different voting rights attached to the Ordinary Shares they hold to those held by other Shareholders.			
B.7	Selected Historical Financial Information	<p>The Company is a holding company which, with effect from the insertion of the Company as the holding company of Old Mutual plc pursuant to the Second Scheme immediately prior to listing on the JSE, will be the new ultimate parent company of the Group. Although statutory financial statements in respect of the Company have been included in the Pre-listing Statement, due to the Company being a dormant shell, the financial information relevant to an investor is that of the Old Mutual plc Group. The key financial information set out below is therefore selected from the financial information of the Old Mutual plc Group.</p> <p>The tables below set out the selected summary financial information which has been extracted from the Historical Financial Information of the Old Mutual plc Group for the periods indicated, as reported in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, as amended from time to time, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and the Financial Pronouncements as issued by the Financial Reporting Standards Council and adjusted to improve the disclosure in order to achieve compliance with International Financial Reporting Standard as issued by the International Accounting Standards Board and paragraphs 8.11 and 8.12 of the JSE Listings Requirements, where applicable.</p> <p>The selected summary financial information has been extracted from the Historical Financial Information of the Old Mutual plc Group as at and for the 3 financial years ended 31 December 2017, prepared for the purpose of the Prospectus Directive Regulation EC 809/2004 ("PD Regulation") in respect of which an independent reporting accountant's report has been issued by KPMG LLP.</p> <p>The continuing operations represent the principal business activities of the Group subsequent to the Managed Separation and the unbundling of Nedbank. The discontinued operations comprise Old Mutual Asset Management plc ("OMAM"), Quilter plc and Nedbank and its consolidated subsidiaries. The consolidated statement of financial position set out in the Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes consolidates Quilter plc and Nedbank in non-current assets and liabilities held for sale and distribution for the statement of financial position for the 2017 financial year. OMAM was sold during the 2017 financial year and is, therefore, not consolidated in the statement of financial position of the 2017 financial year.</p>			

**Section B – Company**

		<b>Selected consolidated income statement of the Old Mutual plc Group</b>		
		<b>Year ended 31 December</b>		
		<b>2017</b>	<b>2016</b>	<b>2015</b>
		(R million)		
<b>Continuing operations</b>				
Total revenue		177,586	122,805	126,732
Total expenses		(170,103)	(117,175)	(120,644)
Profit before tax		9,630	6,084	6,645
Profit from continuing operations after tax		5,512	3,246	3,738
<b>Profit from discontinued operations after tax</b>		<b>14,852</b>	<b>13,570</b>	<b>13,405</b>
<b>Profit after tax for the financial year</b>		<b>20,364</b>	<b>16,816</b>	<b>17,143</b>
<b>Attributable to equity holders of the parent</b>		<b>14,372</b>	<b>11,351</b>	<b>11,094</b>
<b>Non-controlling interests</b>				
Ordinary shares		5,402	5,026	5,678
Preferred securities		590	439	371
		<b>Selected consolidated statement of financial position of the Old Mutual plc Group</b>		
		<b>At 31 December</b>		
		<b>2017</b>	<b>2016</b>	<b>2015</b>
		(R million)		
Total assets		3,046,886	2,906,515	3,073,194
Total liabilities		2,863,441	2,719,603	2,871,978
<b>Shareholders' equity</b>				
Equity attributable to equity holders of the parent		136,678	134,678	152,418
<b>Non-controlling interests</b>				
Ordinary shares		40,910	47,012	45,237
Preferred securities		5,857	5,222	3,561
Total non-controlling interests		46,767	52,234	48,798
<b>Total equity</b>		<b>183,445</b>	<b>186,912</b>	<b>201,216</b>

**Section B – Company**

		Selected consolidated statement of cash flows of the Old Mutual plc Group		
		At 31 December		
		2017	2016	2015
		(R million)		
	Net cash inflow from operating activities from continuing operations	13,206	12,348	12,643
	Net cash outflow from investing activities from continuing operations	(3,498)	(9,235)	(31,376)
	Net cash (outflow)/inflow from financing activities from continuing operations	(20,945)	(11,801)	2,293
	<b>Net cash outflow from continuing operations</b>	<b>(11,237)</b>	<b>(8,688)</b>	<b>(16,440)</b>
	<b>Net cash inflow from discontinued operations</b>	<b>10,221</b>	<b>6,496</b>	<b>18,528</b>
	Effects of exchange rate changes on cash and cash equivalents	(1,290)	(12,636)	(11,246)
	Cash and cash equivalents at beginning of the year	102,640	117,468	104,134
	<b>Cash and cash equivalents at end of year</b>	<b>100,334</b>	<b>102,640</b>	<b>117,468</b>
		<p>Profit from continuing operations after tax for the 2017 financial year was R5,512 million, an increase of R2,266 million, or 70%, from R3,246 million for the 2016 financial year. Profit from continuing operations after tax for the 2016 financial year was R3,246 million, a decrease of R492 million, or 13.2%, from R3,738 million for the 2015 financial year.</p> <p>Total equity at 31 December 2017 was R183,445 million, compared to R186,912 million at 31 December 2016. The decrease of R3,467 million was mainly due to the impact of profits earned during the 2017 financial year which were more than offset by the impact of dividends paid and foreign currency translation losses on translating the results of Quilter plc. The decrease of R14,304 million to 31 December 2015 from R201,216 million, was mainly due to the impact of profits earned during the 2016 financial year, which were more than offset by the impact of dividends paid to shareholders and foreign currency translation losses on translating the results of Quilter plc and OMAM.</p> <p>Other than as set out above, there has been no significant change in the financial condition or operating results of the Old Mutual plc Group during the 3 financial years ended 31 December 2017 or during the period since 31 December 2017, the date to which the Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes was prepared.</p>		
B.8	Selected <i>pro forma</i> financial information	The selected unaudited <i>Pro forma</i> Financial Information of the Group set out below has been prepared to illustrate the effect of the Managed Separation in particular: (i) the Quilter plc Demerger, Quilter plc Admissions and the Quilter plc Share Sale, (ii) the impact of the Second Scheme, followed by the Admissions of the Company, including the impact of the agreed sale of the businesses in Latin America and the impact of the execution of the Second Scheme on certain share schemes, and (iii) the impact of the Nedbank Unbundling on the financial position and income statement of the Group as at 31 December 2017, as if the Managed Separation had taken place on 1 January 2017 for the purposes of the <i>pro forma</i> income statement and on 31 December 2017 for the purposes of the <i>pro forma</i> statement of financial position.		

## Section B – Company

		<p>The selected <i>Pro forma</i> Financial Information of the Group is based on the Historical Financial Information of the Old Mutual plc Group for the year ended and as at 31 December 2017.</p> <p>The selected <i>Pro forma</i> Financial Information of the Group has been prepared using the accounting policies of the Company, which are consistent with those of Old Mutual plc, as applied in the Historical Financial Information of the Old Mutual plc Group prepared for PD Regulation Purposes.</p> <p>The selected <i>Pro forma</i> Financial Information of the Group has been prepared for illustrative purposes only, and because of its nature addresses a hypothetical situation and therefore does not reflect the Group’s actual financial position or results.</p>																																																																				
		<table><tr><th><i>Pro forma consolidated income statement of the Group for the year ended 31 December 2017</i></th><th><b>Old Mutual plc Group before <i>pro forma</i> adjustments</b></th><th><b>Adjustments</b></th><th><b>The Group after <i>pro forma</i> adjustments</b></th></tr><tr><td colspan="4">(R million)</td></tr><tr><td colspan="4"><b>Continuing operations</b></td></tr><tr><td>Total revenue</td><td>177,586</td><td>(930)</td><td>176,656</td></tr><tr><td>Total expenses</td><td>(170,103)</td><td>(401)</td><td>(169,702)</td></tr><tr><td>Profit before tax</td><td>9,630</td><td>22,671</td><td>32,301</td></tr><tr><td>Profit from continuing operations after tax</td><td>5,512</td><td>22,628</td><td>28,140</td></tr><tr><td><b>Profit from discontinued operations after tax</b></td><td><b>14,852</b></td><td><b>(14,467)</b></td><td><b>385</b></td></tr><tr><td><b>Profit after tax for the financial year</b></td><td><b>20,364</b></td><td><b>8,161</b></td><td><b>28,525</b></td></tr><tr><td><b>Attributable to equity holders of the parent</b></td><td><b>14,372</b></td><td><b>14,097</b></td><td><b>28,469</b></td></tr><tr><td><i>Pro forma statement of financial position of the Group at 31 December 2017</i></td><td><b>Old Mutual plc Group before <i>pro forma</i> adjustments</b></td><td><b>Adjustments</b></td><td><b>The Group after <i>pro forma</i> adjustments</b></td></tr><tr><td>Total assets</td><td>3,046,886</td><td>(2,146,262)</td><td>900,624</td></tr><tr><td>Total liabilities</td><td>2,863,441</td><td>(2,045,819)</td><td>817,622</td></tr><tr><td><b>Shareholders’ equity</b></td><td><b>183,445</b></td><td><b>(100,443)</b></td><td><b>83,002</b></td></tr><tr><td>Equity attributable to equity holders of the parent</td><td>136,678</td><td>(57,396)</td><td>79,282</td></tr><tr><td>Non-controlling interests</td><td>46,767</td><td>(43,047)</td><td>3,720</td></tr><tr><td><b>Total equity</b></td><td><b>183,445</b></td><td><b>(100,443)</b></td><td><b>83,002</b></td></tr></table>	<i>Pro forma consolidated income statement of the Group for the year ended 31 December 2017</i>	<b>Old Mutual plc Group before <i>pro forma</i> adjustments</b>	<b>Adjustments</b>	<b>The Group after <i>pro forma</i> adjustments</b>	(R million)				<b>Continuing operations</b>				Total revenue	177,586	(930)	176,656	Total expenses	(170,103)	(401)	(169,702)	Profit before tax	9,630	22,671	32,301	Profit from continuing operations after tax	5,512	22,628	28,140	<b>Profit from discontinued operations after tax</b>	<b>14,852</b>	<b>(14,467)</b>	<b>385</b>	<b>Profit after tax for the financial year</b>	<b>20,364</b>	<b>8,161</b>	<b>28,525</b>	<b>Attributable to equity holders of the parent</b>	<b>14,372</b>	<b>14,097</b>	<b>28,469</b>	<i>Pro forma statement of financial position of the Group at 31 December 2017</i>	<b>Old Mutual plc Group before <i>pro forma</i> adjustments</b>	<b>Adjustments</b>	<b>The Group after <i>pro forma</i> adjustments</b>	Total assets	3,046,886	(2,146,262)	900,624	Total liabilities	2,863,441	(2,045,819)	817,622	<b>Shareholders’ equity</b>	<b>183,445</b>	<b>(100,443)</b>	<b>83,002</b>	Equity attributable to equity holders of the parent	136,678	(57,396)	79,282	Non-controlling interests	46,767	(43,047)	3,720	<b>Total equity</b>	<b>183,445</b>	<b>(100,443)</b>	<b>83,002</b>
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B.9	Profit forecast	Not applicable.																																																																				
B.10	Qualifications in the accountant’s report on the Historical Financial Information	Not applicable. There are no qualifications to the accountant’s report on the Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes.																																																																				
B.11	Insufficient working capital	Not applicable. In the opinion of the Company and the Directors, the working capital available to the Group is sufficient for the Group’s present requirements, that is, for at least the next 12 months following the date of this Pre-listing Statement.																																																																				

## Section C – Shares

C.1	Type and class of securities	<p>This Pre-listing Statement has been prepared in connection with the Managed Separation and is intended solely for Old Mutual plc Shareholders. As part of the Managed Separation, the Company will become the new ultimate parent company of the Group.</p> <p>The Company will apply for its Ordinary Shares to be admitted to trading on the JSE, the LSE, the Malawi Stock Exchange, the Namibian Stock Exchange and the Zimbabwe Stock Exchange.</p> <p>When admitted to trading, the Ordinary Shares will be registered with ISIN: ZAE000255360.</p>
C.2	Currency of the issue of securities	The currency of the Ordinary Shares is South African Rand.
C.3	Issued share capital	<p>On the Admission Date, the number of issued shares of the Company will be equal to the aggregate number of issued Old Mutual plc Shares at the record time for the Second Scheme. The Ordinary Shares will have no par value and, on the Admission Date, all Ordinary Shares will be fully paid.</p> <p>As at the Last Practicable Date, there were 4,932,779,577 Old Mutual plc Shares in issue.</p>
C.4	Description of the rights attaching to the securities	The Ordinary Shares will, upon the Admissions, rank <i>pari passu</i> in all respects and all of the Ordinary Shares will have equal rights to participate in capital, dividend and profit distributions by the Company.
C.5	Restrictions on the free transferability of the Ordinary Shares	There are no restrictions on the free transferability of the Ordinary Shares.
C.6	Admissions	The Company will apply for its Ordinary Shares to be admitted to trading on the JSE, to the standard listing segment of the UK Official List and to trading on the main market for listed securities of the LSE, the Malawi Stock Exchange, the Namibian Stock Exchange and the Zimbabwe Stock Exchange.
C.7	Dividend policy	<p>Maintaining a dividend within the dividend target cover range will take due account of capital adequacy requirements and cash generation with particular reference to the following factors:</p> <ul style="list-style-type: none"> <li>the liquidity of the Group's earnings as measured by Free Surplus Generation;</li> <li>the optimal regulatory solvency range of the Group and approval of the Head of Actuarial Control;</li> <li>capital required to implement its business strategy for enhanced returns;</li> <li>the sufficiency of liquidity under stress scenarios as per the Group's liquidity risk appetite within the financial management framework; and</li> <li>the quality and quantity of capital under normal and stress scenarios as per the Group's Financial and Management Framework and evolving regulatory regimes.</li> </ul> <p>The Directors will target full year ordinary dividends that are covered by Adjusted Headline Earnings between 1.75 and 2.25 times. The Directors will target an interim dividend at a level of 40% of the current year interim Adjusted Headline Earnings. Any dividends will take into account the Company's underlying local cash generation, fungibility of earnings, targeted liquidity and solvency levels, business strategy needs and market conditions at the time. Given the profile of earnings and above considerations, it is anticipated that the dividend cover may vary between reporting periods and dividends will be set using the full flexibility of the range.</p> <p>The Company will declare dividends in Rand. Conversion rates for non-South African Shareholders will be communicated before dividends are paid.</p> <p>The Company may revise its dividend policy from time to time.</p> <p>As at the Last Practicable Date, the Company has not paid any dividends since incorporation in May 2017. Refer to the Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes for information on the dividends paid by Old Mutual plc for the financial years ended 31 December 2017, 2016 and 2015.</p>



## Section C – Shares

		All dividends payable by the Company, shall be held in trust for the benefit of the Shareholders, until lawfully claimed by the Shareholders, subject to the provisions of the Company MOI and the laws of prescription from time to time, or until the Company is wound up.
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## Section D – Risks

D1.	Key information on the key risks that are specific to the Company or its industry	<p><b><i>Risks related to the industry and the markets in which the Group operates</i></b></p> <ul style="list-style-type: none"> <li>• A weak macroeconomic environment in South Africa may reduce the size of the South African financial services market generally and specifically may adversely impact growth in sales of insurance, investment and lending products, retention of customers, the credit quality of government-related debt and the valuation of market-related investments and underwriting results, which could in turn have a material adverse effect on the Group's business, results of operations and prospects.</li> <li>• Social and political developments in South Africa and their impact on government policy, the independence of key state institutions and the governance of state-owned enterprises could adversely impact business confidence and financial markets. Because the Group interacts with the Government of South Africa as an employer of its retail customers, sponsor of certain investment mandates and issuer of debt instruments, adverse political developments may have a material adverse effect on the Group's business, results of operations and prospects.</li> <li>• Macroeconomic, social or political uncertainty in other emerging markets in which the Group operates, particularly Zimbabwe and East, Central and West Africa, may reduce the size of the financial markets in these jurisdictions and may adversely impact growth in product sales, customer retention, credit defaults and underwriting results, which could in turn have a material adverse effect on the Group's business, results of operations and prospects.</li> <li>• The Group's businesses are conducted in highly competitive environments with developing demographic and technological trends and changing customer preferences, in which the Group's market position heightens competition. If the Group is unable to anticipate and respond to these pressures and effectively compete, this would have a material adverse effect on its business, financial condition, results of operations and prospects.</li> </ul> <p><b><i>Risks related to the Group's business</i></b></p> <ul style="list-style-type: none"> <li>• Damage to the Group's reputation or brands, including the "Old Mutual", "Nedbank", "UAP" and "CABS" brands, may have a material adverse effect on the Group's business and prospects.</li> <li>• The Group's strategy is subject to a number of business risks the occurrence of which may adversely affect its business, results of operations and prospects.</li> <li>• The Group is currently implementing a number of initiatives in response to internal changes (including a new Board and Senior Management, a refresh of technology platforms, digital initiatives and other strategic projects) and external changes (regulatory change), which, if they are not successfully implemented or managed, may adversely affect the Group's business, results of operations and prospects.</li> <li>• The Group possesses highly sensitive data in relation to its customers, adviser network and employees. Any information security breach or data theft could damage the Group's reputation and have a material adverse effect on its business, financial condition, results of operations and prospects.</li> <li>• The Group's operations support complex transactions and there is a risk that the IT and communication systems do not function properly. Any failure of, or cyber-attack on, the Group's IT or communications systems could have a material adverse effect on its business, results of operations and reputation.</li> </ul>
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## Section D – Risks

		<p><b>Legal and regulatory risks</b></p> <ul style="list-style-type: none"> <li>• The Group is subject to comprehensive laws and regulations. Failure to comply with applicable laws and regulations may trigger regulatory intervention which may harm the Group's reputation, and could have a material adverse effect on the Group's licence to operate, business, results of operations and prospects.</li> <li>• Laws, regulations and policies governing the Group have changed over time, and may continue to change in ways which have had and may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.</li> <li>• The Group is subject to conduct risk when selling its insurance products, providing investment advice and lending.</li> </ul>
D.3	Key information on the key risks that are specific to the Ordinary Shares	<p>The absence of an existing market for the Ordinary Shares may limit their liquidity.</p> <ul style="list-style-type: none"> <li>• The market price of the Ordinary Shares may prove to be volatile and is subject to fluctuations, including significant decreases.</li> <li>• The Company may not be able to declare and make dividend payments now and in the future.</li> <li>• Future sales or new issuances of substantial amounts of Ordinary Shares in connection with black economic empowerment transactions, share incentive or option plans, acquisitions or otherwise, or the perception that such sales or issues could occur, could adversely affect the market value of the Ordinary Shares.</li> <li>• Differences in exchange rates may have a material adverse effect on the value of shareholdings or dividends paid.</li> <li>• Investors in foreign jurisdictions may have difficulty bringing actions, and enforcing judgments, against the Group, its Directors and its executive officers based on the laws of other jurisdictions outside South Africa.</li> </ul>

## Section E – Offer

E.1	Net proceeds and expenses of the offer	Not applicable. This document does not constitute an offer or invitation to any person to subscribe for or purchase any shares in the Company.
E.2a	Reasons for the offer and use of proceeds	Not applicable. This document does not constitute an offer or invitation to any person to subscribe for or purchase any shares in the Company.
E.3	Terms and conditions of the offer	Not applicable. This document does not constitute an offer or invitation to any person to subscribe for or purchase any shares in the Company.
E.4	Material interests to the issue/offer	Certain Directors have shareholding interests in Old Mutual plc and will therefore have shareholding interests in the Company immediately following its insertion as the new holding company of Old Mutual plc. So far as the Directors are aware, no other person involved in the Managed Separation has any interest, including conflicting ones, that are material to the Managed Separation.
E.5	Selling Shareholders and lock-ups	Not applicable.
E.6	Dilution resulting from the offer	Not applicable.
E.7	Estimated expenses charged to the investor	Not applicable.

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## PART II

### RISK FACTORS

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Any investment in the Ordinary Shares is subject to certain risks. Old Mutual plc Shareholders should carefully consider the risks described below in addition to the other information in this Pre-listing Statement. The Group's business, results of operations and financial condition may be materially and adversely affected in the future due to any of the following risks. The trading price of the Ordinary Shares could decline due to any of these risks.

Old Mutual plc Shareholders should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in the section of this Pre-listing Statement headed "Part I – Summary Information" are the risks that the Board and Old Mutual Limited (the "Company") believe to be the most essential. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, Old Mutual plc Shareholders should consider not only the information on the key risks summarised in the section of this Pre-listing Statement headed "Part I – Summary Information" but also, among other things, the risks and uncertainties described below.

The risks related to the industry and markets and the risks related to the Group are largely the same risks as those to which the Group was subject when it was part of the Old Mutual plc Group, except as specifically noted with regard to Nedbank Group Limited ("Nedbank") following the reduction of the Group's shareholding in the issued share capital of Nedbank from 52% in its shareholder funds at the time of the Admissions (as defined in Annexe 18 to this Pre-listing Statement) to 19.9% of the issued share capital of Nedbank in its shareholder funds following the Nedbank Unbundling (as defined in Annexe 18 to this Pre-listing Statement). Furthermore, the risks and uncertainties specified below may not be the only ones the Group faces. Additional risks and uncertainties not presently known to the Group or that the Group currently considers immaterial may also individually or cumulatively have a material adverse impact on the Group's business, results of operations or financial condition or the price of the Ordinary Shares. Old Mutual plc Shareholders should consider carefully any investment in the Ordinary Shares and whether it is suitable for them in the light of the information in this Pre-listing Statement and their personal circumstances.

#### 1. Risks related to the industry and the markets in which the Group operates

##### 1.1 ***A weak macroeconomic environment in South Africa may reduce the size of the South African financial services market generally and specifically may adversely impact growth in sales of insurance, investment and lending products, retention of customers, the credit quality of government-related debt and the valuation of market-related investments and underwriting results, which could in turn have a material adverse effect on the Group's business, results of operations and prospects.***

The Group's South African operations are the core of its business, accounting for 83% of its revenue for the 2017 financial year. Poor economic conditions in South Africa may reduce the size of the South African financial services market and adversely impact growth in the sale of insurance, investment and lending products and the retention of customers, increase credit defaults among corporate and retail borrowers, decrease the credit quality of government-related debt and the valuation of market-related investments and negatively affect underwriting results in the life insurance business and Property and Casualty (as defined in Annexe 18 to this Pre-listing Statement).

The South African economy is characterised by rates of inflation and interest that are similar to other emerging markets but that are substantially higher than those in North American and Western European economies. Despite sustained economic growth over much of the last decade, during 2015 South Africa's real gross domestic product ("GDP") growth slowed to 1.3%, with this declining trend continuing into 2016 with growth of only 0.3% (IMF). In 2017, growth recovered to 1.3% (National Treasury), exceeding the National Treasury's projected growth of 1.0%. The International Monetary Fund ("IMF") forecasted rates of real GDP growth of 0.9% for 2018. During 2017, South Africa's sovereign credit rating was downgraded amidst continued socio-political uncertainty following changes in the South African Government. Please see "–Social and political developments in South Africa and their impact on government policy, the independence of key state institutions and the governance of state-owned enterprises could adversely impact business confidence and financial markets. Because the Group engages with the Government of South Africa as an employer of its retail customers, sponsor of certain investment mandates and issuer of debt instruments, adverse political developments may have a material adverse effect on the Group's business, results of operations and prospects".

While the Government's February 2018 budget speech highlighted an improvement in investor confidence, it emphasised that the South African funding gap that the October 2017 mid-term budget speech revealed was larger than expected and remained a policy concern making future tax and interest rate increases likely. Coupled with a weakening economy, future tax and interest rate increases would add to the financial pressures on consumers by reducing their disposable income. As certain insurance products are understood to be discretionary spend items, sales of such products generally decrease during periods of poor economic growth. Furthermore, the long-term deterioration of the value of the Rand has amplified increases in basic imported commodity prices. These factors have historically and may in the future affect the Group's South African earnings due to their impact on demand for financial products and services and their simultaneous negative effect on policy lapse and credit default rates. Nedbank, the Group's principal banking business, is deeply connected to and dependent on the macroeconomic environment in South Africa. Weak economic growth in South Africa has increased the financial pressure on Nedbank's clients, leading to lower levels of credit demand and transactional banking activity. Consumer credit has expanded significantly particularly since the 2008 financial crisis and the servicing of loans has become more challenging due to decreasing employment levels, amongst other things. Furthermore, Nedbank's business clients have been impacted by the decrease in foreign investment in South Africa. The weak economic environment has restrained and is expected to continue to restrain earnings growth potential and capital generation as well as increase the risk of bad debts and the cost of funding.

The macroeconomic environment may also be impacted by natural or man-made catastrophes. For example, in Cape Town, where a majority of the Group's back office and servicing functions are located, the city is experiencing a severe, multi-year drought, and is exposed to the risk that its public infrastructure may not be able to deliver water to the majority of the city's population. Should the drought worsen and water supplies continue to fall, the city's tourism, wine and agricultural industries, amongst others, could be adversely affected, which could depress the city's economy and impact the broader South African economy.

Further changes to, or persistent uncertainty in, the macroeconomic environment in South Africa or in surrounding countries, could result in a downturn in new business and sales of the Group's products, and a decrease in its investment return and/or an increase in bad debts, which, in turn, could have a material adverse effect on the Group's business and results of operations.

**1.2 *Social and political developments in South Africa and their impact on government policy, the independence of key state institutions and the governance of state-owned enterprises could adversely impact business confidence and financial markets. Because the Group interacts with the Government of South Africa as an employer of its retail customers, sponsor of certain investment mandates and issuer of debt instruments, adverse political developments may have a material adverse effect on the Group's business, results of operations and prospects.***

Changes to the social or political environment in South Africa could create uncertainty which discourages investment in the region and impacts demand for the Group's products by putting economic pressure on its customers. The Group is particularly exposed to this risk as a result of the 3 ways in which it interacts with the Government: as an employer of many of the Group's retail customers, as a sponsor of investment mandates on behalf of state and parastatal sponsored pension funds and as an issuer or guarantor of issuers of long-dated debt instruments that may be used as part of the Group's asset-liability matching programme.

The levels of political and social risk in South Africa have been increased by policy uncertainty and the risk of "state capture". During 2017, a number of factors, including, the slowing economy, rising debt, governance of state-owned enterprises and a lack of consistency in government policy, combined with the dismissal of the finance minister, led each of the 3 major credit rating agencies to downgrade South Africa's sovereign credit rating, thereby increasing the cost of funding for the government and corporate entities in South Africa. On 23 March 2018, Moody's Investor Services Inc. ("Moody's") maintained South Africa's investment grade rating and changed the outlook of stable citing the beginning of reform under President Ramaphosa. The immediate impact of these credit rating downgrades was to cause equivalent downgrades to public sector institutions and several companies in the private sector, including domestic insurance companies and banks. Continuing uncertainty and political and economic developments may lead to further downgrades in national credit ratings in the future, making financing more expensive and difficult to secure. The long-term consequences of these downgrades (plus any further downgrades) remain uncertain but are expected to include greater market volatility, lower than forecast economic growth, and reduced consumer confidence. Moreover, political uncertainty in South Africa negatively impacts the public sector by undermining business confidence in the state and its administrative bodies. The Group's performance is linked to the public sector both because public sector workers comprise a significant portion of the customer base of its mass market and corporate businesses and because, both directly and through its interest in Nedbank, the Group is exposed to government debt. Mass exits from the Group's products following a change in sentiment or government cut-backs resulting in significant contractions in the sector could have a material adverse effect on the Group's business, results of operations and prospects.

In recent years, the risk of political and social uncertainty has been exacerbated by accusations that certain individuals have used the state apparatus to further their interests and the interests of their associates, implying "state capture" and prompting civic protest, calls for government resignations and the appointment of a commission of enquiry into potential "state capture" in January 2018. In some instances, this has resulted in some fund managers ceasing making new investments in or advancing new loans to state-owned enterprises due

to concerns around how they are being run, government infighting and threats to the independence of public service organisations. If these accusations, as well as the perception of significant private corruption, continue to undermine business confidence, or if they result in formal proceedings, they could have a further adverse impact on the political and social environment in South Africa.

On 18 December 2017, the African National Congress ("ANC") elected Cyril Ramaphosa as party leader on a reformist and anti-corruption platform that seeks to return business confidence and growth to South Africa. On 15 February 2018, following the resignation of President Jacob Zuma, South Africa's parliament elected Mr. Ramaphosa as President of South Africa. The Rand strengthened following the election of Mr. Ramaphosa, reflecting an improvement in economic and political sentiment.

Finally, political and social uncertainty in the countries surrounding South Africa has had and may in the future have a knock-on effect on economic stability in the region. In certain instances, this may negatively affect social, economic or political conditions in South Africa. If the political and social environment in South Africa remains unstable or becomes more unstable, this will have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**1.3 *Macroeconomic, social or political uncertainty in other emerging markets in which the Group operates, particularly Zimbabwe and East, Central and West Africa, may reduce the size of the financial markets in these jurisdictions and may adversely impact growth in product sales, customer retention, credit defaults and underwriting results, which could in turn have a material adverse effect on the Group's business, results of operations and prospects.***

Difficult economic and volatile socio-political environments have created investor uncertainty in the major regions outside of South Africa in which the Group operates, in particular Zimbabwe and East, Central and West Africa. The jurisdictions in which the Group operates are generally considered by international investors to be emerging markets, which are typically thought to have certain characteristics and be subject to greater risks than more developed markets. These risks include: adverse changes in governmental, economic and tax policies; volatility and low liquidity in capital markets; abrupt changes in currency values; higher levels of inflation; exchange controls; relatively low levels of consumer disposable income; relatively high levels of crime; relatively unstable state institutions; unpredictable changes in the legal and regulatory environments; varying approaches to transparency and corporate governance; inconsistent application of existing laws and regulations; and slow or insufficient legal remedies. The occurrence of any of the above could have an adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, indigenisation, the policy of increasing local ownership in foreign enterprises, is a focus of the Government of Namibia and was historically a focus of the Government of Zimbabwe prior to the recent change in president, creating the risk that indigenisation may impact the Group's results if it is forced to divest itself of part or all of its shareholding in the businesses that it operates in these jurisdictions.

Outside South Africa, African jurisdictions in which the Group operates have experienced reduced GDP growth in recent years because of a number of factors, including low oil and commodity prices. It is expected that the volatility of these economies will continue to put pressure on consumers as, in the short-term, economies that are less diversified and over reliant on oil and resource-linked revenues attempt to address the structural and fiscal implications of lower commodity prices and accompanying lower growth. The Group's Zimbabwe business faces considerable social, political and macroeconomic challenges, putting pressure on its customers and its ability to invest in assets that will generate required returns. Zimbabwe generally ranks poorly in global comparisons of economic competitiveness. Following the introduction of bond notes as a surrogate currency pegged to the US dollar (the local currency) during 2017, business and investor confidence decreased. Coupled with inconsistent government policies, widening budget deficits and extensive public borrowing that has limited the availability of local capital, the difficulty of doing business in the country has increased in recent years. In November 2017, Robert Mugabe stepped down from office following a military intervention. He was replaced by Emmerson Mnangagwa, the former deputy president. While Mr. Mnangagwa is expected to bring more stability, further political uncertainty in Zimbabwe would have an adverse effect on the Group's business and results of operations.

The Group is also exposed to macroeconomic, social and political uncertainty in East Africa and, through Ecobank Transnational Incorporated ("Ecobank"), a pan-African banking business in which Nedbank has a 21.2% strategic investment, in Central and West Africa. Ecobank's operations specifically are exposed to economies that are under pressure following the decrease in commodity prices and are experiencing unfavourable currency fluctuations, both of which have had a negative impact on Nedbank's, and therefore the Group's, results. In 2017, the fall in oil prices in Nigeria and the related downturn in the Nigerian economy resulted in losses at Ecobank and lower than expected business flows that impacted both Nedbank and the Group.

Finally, the Latin America ("LatAm") and Asia segment exposes the Group to macroeconomic, political and social risks both within the Latin American countries in which the Group operates and in the region itself as well as in China. Should the macroeconomic environment weaken or political or social risk increase in these jurisdictions or in the region itself, it may have an adverse effect on the Group's business, financial condition, results of operations or prospects.

1.4 ***The Group's businesses are conducted in highly competitive environments with developing demographic and technological trends and changing customer preferences, in which the Group's market position heightens competition. If the Group is unable to anticipate and respond to these pressures and effectively compete, this would have a material adverse effect on its business, financial condition, results of operations and prospects.***

The markets for financial services in Africa, Latin America and China, particularly the South African life insurance market, are highly competitive, with several factors affecting the Group's ability to sell its products and services and its continued profitability, including price, financial strength and ratings, range of product lines and product quality, brand strength, investment management performance, historical bonus levels, developing demographic trends and customer appetite for certain savings products.

The Group faces intense competition from a large number of insurance companies and non-insurance financial services companies such as banks, broker-dealers and asset managers. The Board believes competition is increased because it has a dominant position in certain markets and is therefore a direct target for most of its competitors. Heightened competition for talented and skilled employees and advisers with local experience, particularly in Africa, may limit the Group's potential to grow its business. In addition, any increase in competition could result in increased pressure on product pricing and commission on a number of products, which could, in turn, have a material adverse effect on the Group's results of operations and harm its ability to maintain or increase its market share in the insurance industry.

Within South Africa, the Group's principal competitors vary by line of business. In the South African banking industry, the market is highly concentrated with the top 5 banks sharing approximately 91% of market share by total assets (SARB Banking Supervision Department Annual Report, 2016). In several markets across the African continent, local companies have a very significant market presence along with certain international companies with which the Group competes in South Africa. In LatAm and China, the Group operates in niche markets and competes against both international services companies and local asset managers that are typically larger, have greater financial resources or a greater market share, offer a broader range of products or have higher bonus rates than the Group.

A particular focus of impending South African financial services and insurance regulations is the encouragement and promotion of further competition within the industry. New service structures such as "low advice" advisory models and microinsurance, which attract less strenuous regulatory requirements than traditional services, are encouraged by this legislation. The Group expects the implementation of such structures to give rise to various alternative distribution and product models which may compete directly with the Group in the "unbanked" sector of South African financial consumers. For further information on regulatory developments, please see "Part VII – Regulatory Considerations".

Competition could further intensify because of the development of alternative distribution channels for certain types of insurance and securities products that is being driven by changing customer demands. In Africa, non-traditional distribution channels are becoming increasingly popular and new competitors are entering the market. The Group faces increasing pressure from the introduction of new technologies and business models, both from existing traditional financial services peers as well as new non-traditional participants that are seeking alternative sources of revenue. These non-traditional competitors include technology-enabled companies, such as telecom operators and fintech start-ups, that are able to easily roll-out additional services using their digital infrastructure and platforms. This has particularly impacted the earnings of the Group's Personal Finance and Wealth and Investments segments. Younger customers have shown a growing preference for digital sales and services in line with growing mobile penetration and internet access. The Group meets this consumer demand through new direct sales channels that compete with those of its non-traditional competitors; however, new competitors could develop digital delivery channels that disrupt the current market and are more appealing to customers, causing the Group to lose market share. The Group cannot predict which of many possible future technologies, products or services will be important for maintaining its competitive position. If the Group is unable to effectively compete in its markets, this would have a material adverse effect on its business, financial condition, results of operations and prospects.

1.5 ***A material decrease in the value of the Group's funds under management would reduce the Group's revenues from fees earned on customer portfolios, which would have a material adverse effect on its business, results of operations, financial condition and prospects.***

A significant portion of the Group's revenues are dependent on fees earned from customer investment portfolios. The Group's fees tend to be charged as a percentage of funds under management ("FUM") and are therefore dependent on the value of the underlying portfolios. The value of customer investment portfolios may be affected by declines in equity markets, including as a result of decreased investor confidence in specific markets or globally, in interest rate rises, fluctuations in exchange rates, exchange controls that may prohibit the investment of customer funds outside of South Africa, decreases in property prices that impact unit-linked funds and other assets invested in property and liquidation risk in the event that the value of less liquid investments is reduced due to forced sales in order to meet liquidity needs. A material reduction in the value of the Group's customer portfolios, the withdrawal of assets or the reduction of customer's ongoing investment with the Group would reduce the fees the Group earns which would have a material adverse effect on its business, results of operations, financial condition and prospects.

**1.6 *Catastrophic events, whether natural or man-made, or severe infrastructure deficiencies, may result in material losses in the Group's insurance businesses, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

The Group's life insurance business and Property and Casualty are subject to losses from unpredictable events that may affect multiple insured risks. Such events include both natural and man-made events, such as, but not limited to, windstorms, coastal inundation, floods, severe water shortages and other weather-related events, pandemics, large-scale fires, industrial explosions, climate change and other man-made disasters such as civil unrest and terrorist attack as well as severe infrastructure deficiencies, including those related to water systems. Catastrophic events result in higher levels of claims under insurances policies that may, in certain circumstances, have a material adverse effect on the Group's results of operations. During the 2017 financial year, catastrophe events, including a firestorm and rain storm in the Western and Eastern Capes in early June, caused substantial losses and reinsurance claims to property owned by the Group's customers, resulting in an increase in the catastrophe losses reported during the year. The Group enters into reinsurance arrangements in order to manage the potential losses from catastrophic events; however, the occurrence of such events have in the past and may in the future cause the Group's reinsurers to increase the cost of reinsurance premiums. Furthermore, catastrophic events could also harm the financial condition of the Group's reinsurers and thereby increase the probability of default on reinsurance recoveries. While the Group prices its insurance products after conducting a detailed assessment of potential risks, and enters into reinsurance contracts, there can be no guarantee that the risk is correctly priced or that reinsurance will entirely hedge the risk. Please see "– The Group takes on significant insurance risks in Property and Casualty and reinsurance may not be available, affordable or adequate to protect the Group against losses, and reinsurers may default on their reinsurance obligations". A single catastrophe or multiple catastrophes in any period could have a material adverse effect on the Group's business, results of operations and financial condition.

Furthermore, in 2017, the South African insurance regulator published draft Prudential Standards which are set to come into effect pursuant to the South African Insurance Act, 18 of 2017 ("Insurance Act") which was promulgated as law on 18 January 2018. The effective date of the Insurance Act is still to be announced, but is expected to be in July 2018. Such Prudential Standards will impose separate capital requirements calculations in respect of catastrophe risk. The underwriting of catastrophe risks by the Group will, thus, subject it to particular capital and reinsurance regulatory requirements which may affect its financial condition.

**1.7 *Deteriorations in the soundness of other financial institutions may have an adverse effect on the Group's business and results of operations that is more pronounced in South Africa because South Africa operates exchange controls that limit access to international capital in certain circumstances.***

Due to the nature of the global financial system, financial institutions are interdependent as a result of trading, counterparty and other relationships. Other financial institutions with which the Group conducts business act as counterparties to the Group in such capacities as clearing advisers, exchanges, clearing houses, reinsurers, brokers and dealers, counterparties under swaps and credit and other derivative contracts, commercial banks and investment banks. In any of these capacities, a financial institution acting as a counterparty may not perform its obligations due to, among other things, bankruptcy, lack of liquidity, market downturns or operational failures, and the collateral or security it provides may prove inadequate to cover its obligations at the time of or following the default.

The Group is also exposed to systemic risk, which is the risk that the failure of a sufficiently large and influential financial institution could cause severe market declines or volatility resulting in a chain of defaults by counterparties. This risk is exacerbated in South Africa due to exchange control restrictions operated by the South African Reserve Bank ("SARB") that limited the ability of South African residents to access international capital. Systemic risk could adversely impact product sales as a result of a loss of confidence in the insurance and banking industries. It could also adversely affect the Group's results of operations because of market declines and write-downs of assets and claims on third parties.

Furthermore, in terms of the South African Financial Sector Regulation Act, 9 of 2017 (as amended) (the "FSR Act"), the SARB is empowered to designate an event as a systemic event and thereafter issue a directive to financial sector regulators to take certain action to protect financial customers. While the nature of such actions is currently indeterminable, it may adversely impact the Group's ability to restructure or issue new products during systemic events.

**1.8 *The Group, through its investments in Nedbank and CABS in particular, is subject to the risk of an extreme loss of confidence in the banking industry the occurrence of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.***

As retail and wholesale banking businesses, Nedbank and Central African Building Society ("CABS") rely significantly upon deposits for liquidity and to fund business operations. Generally, deposits are a relatively stable and cost-effective source of funding for banks due to many factors, including deposit insurance. Changes in deposit levels can be influenced substantially by many factors, including customer satisfaction and the interest rates offered to deposit customers as well as changes in banking regulation such as the net stable funding ratio that requires a bank to hold a certain amount of stable funding. Those rates, in turn, generally reflect prevailing

market conditions. Moderate levels of reductions in deposits can adversely affect banks; however, extreme forms of deposit reduction, sometimes referred to as a “run on the bank”, would reduce a bank’s liquidity and adversely affect its capital position. While regulators, including the SARB, have measures in place to address such occurrences, there can be no assurance that such measures will be implemented or will be sufficient. If Nedbank and, to a lesser extent CABS, experienced a dramatic decrease in its deposits, it could have a material adverse effect on the Group’s business, results of operations, financial condition and prospects.

## 2. Risks related to the Group’s business

### 2.1 ***Damage to the Group’s reputation or brands, including the “Old Mutual”, “Nedbank”, “UAP” and “CABS” brands, may have a material adverse effect on the Group’s business and prospects.***

The Group’s relationships with its customers, regulators and other key stakeholders are built on trust and maintaining a good reputation is critical to the Group’s continued success. The Group’s brand name, “Old Mutual”, and the names of associated brands, such as “Nedbank”, “UAP” (in East Africa) and “CABS” (in Zimbabwe), are important corporate assets that help distinguish the Group’s products and services from those of its competitors. The Group and its products are vulnerable to adverse market, media and political perception as it operates in an industry where integrity, customer trust and confidence are paramount.

Any direct or indirect damage to the Group’s reputation or brand as well as its associated brands, could affect the Group’s ability to attract and retain customers or have other adverse effects on the Group in ways that are not predictable. Such damage could arise from failure or perceived failure to comply with legal and regulatory requirements, financial reporting irregularities involving other large and well-known companies, increasing regulatory and law enforcement scrutiny of “know your customer”, anti-money laundering and anti-terrorist financing procedures and their effectiveness, regulatory investigations into the pension, banking and insurance industries, significant changes to key stakeholders, disclosure of confidential customer information, cyber security breaches and inadequate services, among other factors, whether or not well founded, and litigation that arises from any of the foregoing, as well as regulatory enforcement actions, fines and penalties. The Group’s reputation and its brands could also be harmed if products or services recommended by the Group do not perform as expected or the customer’s expectations for the product change. In South Africa, the Group may also be adversely affected by public perception of political corruption, which has been the subject of investigations into, and media reports on, the links between certain individuals and government institutions in the country. Association, whether knowing or unknowing, with these individuals or with key service providers or advisers that may themselves have links to such individuals creates a risk of negative publicity.

The Group’s reputation and its brands could also be negatively impacted by misconduct or malpractice by intermediaries, business promoters or other third parties linked to the Group, including its strategic alliance partners. While it does not generally license the use of its brand outside of the Group, the Company has entered into the Transitional Trade Mark Licence Agreement with Old Mutual Wealth plc (“Quilter plc”) for use of the “Old Mutual” brand on a transitional basis in a number of countries globally. Any detrimental use of the “Old Mutual” brand by Quilter plc may damage the brand and the Group’s reputation both during and after the term of the Transitional Trade Mark Licence Agreement.

### 2.2 ***The Group’s strategy is subject to a number of business risks the occurrence of which may adversely affect its business, results of operations and prospects.***

During the second half of 2017, the Group, as part of the Old Mutual plc Group, conducted a strategic review to determine the new strategy for the business. Based on this review, the Group implemented a strategy with 3 overarching medium-term priorities: (i) consolidating and growing its position in jurisdictions in which it is a market leader; (ii) improving key underperforming businesses; and (iii) building long-term competitive advantage. The Group’s strategy is underpinned by 8 “battlegrounds”. For additional information, please see “Part VI – Business of the Group–Strategy”. It is uncertain whether the Group will achieve its strategic objectives in the planned time frame or whether the actual costs of achieving them will be greater than expected. The Group’s ability to implement its strategy may be affected by a number of factors, including, amongst others, macroeconomic conditions in the Group’s markets, a slowdown in the growth of the economies in which the Group operates, a reduction in demand for its products and services, the inability to implement its core efficiency programmes, the delay of or failure to implement the disposal of OMSA’s interests in OMLAH and AIVA (pursuant to the OMLAH SPA and the AIVA SPA) or the development and implementation of new technologies that impact its competitiveness in the financial services market.

If 1 or more of the assumptions that the Group has made in setting its targets or objectives are inaccurate, or if 1 or more of the risks described in this section occur, the Group may be unable to achieve 1 or more of its targets, objectives or guidance, or may be non-compliant with regulation. A failure to implement, individually or in the aggregate, the various components of the strategy, successfully or in a timely manner, realise expected benefits or control costs in delivering the strategy, may cause the Group to miss its targets, which could have a material adverse effect on the Group’s business, results of operations and prospects.



**2.3 The Group is currently implementing a number of initiatives in response to internal changes (including a new Board and Senior Management, a refresh of technology platforms, digital initiatives and other strategic projects) and external changes (regulatory change), which if they are not successfully implemented or managed, may adversely affect the Group's business, results of operations and prospects.**

The Group is currently in the process of planning and implementing significant changes across its segments that require time and work from Group personnel in addition to their day-to-day responsibilities. These changes include effecting the finalisation of the Managed Separation process, settling and transitioning a new board of directors of the Company ("Board"), investing in technology and redesigned business processes, responding to regulatory developments and implementing initiatives to combat cybercrime risk. The Group has made significant changes to its leadership as part of the Managed Separation process. Peter Moyo was appointed CEO-designate of the Group in June 2017 and following his appointment he restructured the Group's leadership, including the appointment of a new CFO. However, in November 2017, the Group's CFO-designate resigned from his position due to health reasons. The Group therefore appointed Ingrid Johnson, the current Old Mutual plc Group finance director, to serve as acting CFO. Casper Troskie was then appointed as CFO, with effect from 27 March 2018 after which date Ingrid Johnson's executive-related responsibilities are being transitioned to Casper Troskie in an orderly manner. To support this transition, it is intended that Ingrid Johnson will remain on the Board as an Executive Director until 30 June 2018 and as Non-executive Director until at least the end of March 2019. Should the transition between Ingrid Johnson (as former acting CFO) and Casper Troskie (as the CFO) not be properly managed, the operation of the Group's business and the execution of its strategy may be adversely impacted, which would have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Like other financial services companies, the Group is heavily dependent on its information technology ("IT") systems. The Group is currently investing in IT to address ageing legacy systems, improve the customer experience by investing in systems that will enable the Group to deliver its products and services more efficiently and add new propositions. This investment is focused on improving the Group's direct and digital offerings, periodically replacing legacy systems and IT enablement of the East African business. In South Africa, Old Mutual Life Assurance Company (South Africa) Limited ("OMLACSA") is re-platforming its long-term insurance business and migrating existing business onto a new operating platform so as to replace IT platforms that will reach end-of-life by 2022. Nedbank, through its "managed evolution" IT approach is also engaged in rationalising, standardising and simplifying its own IT systems. In order to help manage its IT transformation and supervise the effective use of its IT systems, the Group recently appointed a chief data and digital officer. However, due to the complex nature of these programs, there is a risk that they are not delivered in scope, on time and in budget.

Over the last 3 years, there have also been significant changes in the regulation to which the Group is subject, particularly the introduction of the Twin Peaks regulatory structure, the European Solvency II Directive (Directive 2009/138/EC) and the South African Solvency Assessment and Management ("SAM") solvency regime, Basel III and the retail distribution review, that have required the Group to make significant investments in its infrastructure and develop its products and distribution and operating models. Further regulatory changes may impose additional compliance and implementation costs on the Group. For more information on regulatory developments, please see "—Laws, regulations and policies currently governing the Group have changed, and may continue to change in ways which have had and may have a material adverse effect on the Group's business, results of operations, financial condition and prospects" below.

The extent of these initiatives imposes costs on the Group and places strain upon management and resourcing and increases delivery risk. This is in addition to the new pressure of functioning as an independent organisation that has placed strain on the Group. To the extent that the initiatives are not successfully executed or the Group is unsuccessful in managing its resources to ensure sustained periods of staff overstretch are managed, the Group's ability to conduct business might be adversely affected and the Group may fail to deliver on its change initiatives, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.4 The Group possesses highly sensitive data in relation to its customers, adviser network and employees. Any information security breach or data theft could damage the Group's reputation and have a material adverse effect on its business, financial condition, results of operations and prospects.**

The Group stores, retrieves, evaluates and utilises a range of data and information about its customers, including customers' bank details, and relies on industry-standard commercial technologies to maintain the security of those systems. Despite the security measures the Group has in place to comply with applicable laws, regulations and standards, its facilities and systems, and those of its third-party providers may be vulnerable to security breaches, acts of cyber terrorism, vandalism or theft, computer viruses, misplaced or lost data, programming and human errors or other similar events. Third parties and or staff who are able to circumvent the Group's security measures and penetrate its IT or treasury systems could access, view, misappropriate, alter, or delete information in the systems, including personally identifiable customer information and proprietary business information, or make unauthorised payments. Login credentials of customers, intermediaries and employees may be intercepted by cyber criminals, which could lead to abuse of information.

Consistent with global and local trends, the Group has experienced significant increases in cyber-attacks, threats and incidents. A breach of any aspect of the Group's IT infrastructure, especially a breach involving the misappropriation, loss or other unauthorised disclosure of sensitive or confidential member information, including the use of such information for direct marketing purposes, whether by the Group or of its sub-contractors or service providers, may harm the Group's reputation, deter purchases of its products, subject the Group to heightened regulatory scrutiny or significant civil and criminal liability, and require that the Group incurs significant technical, legal and other expenses. In addition, there can be no assurance that the Group will successfully detect a cyber-attack if 1 has occurred on a timely basis, or at all. As a result, there can be no assurance that such attacks will not be successful and result in a material adverse effect on the Group's business, financial condition, results of operations and prospects or damage its reputation. If the Group is the victim of a cyber-attack, it may also have to shut down its systems in order to appropriately protect its systems to prevent a future security breach, which could have a further material adverse effect on the Group's business, financial condition, results of operations and prospects. In the event that Nedbank is subject to any of the above, this may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.5 *The Group's operations support complex transactions and there is a risk that the IT and communication systems do not function properly. Any failure of, or cyber-attack on, the Group's IT or communications systems could have a material adverse effect on its business, results of operations and reputation.***

The Group relies heavily on its operational processes and communication and information systems to conduct its business, including (without limitation) to determine the pricing of its products, its underwriting liabilities, the required level of provisions and the acceptable level of risk exposure, as well as to maintain accurate records and the confidentiality, integrity and availability of information and data, and to ensure compliance with its reporting obligations.

The risks associated with cyber-attacks, where an individual or group seeks to exploit vulnerabilities in IT systems for financial gain or to disrupt services, are a material risk to the Group and the financial systems in which the Group operates, which have a high degree of interconnectedness between market participants, centralised market infrastructure and in some cases complex legacy IT systems.

The Group is increasingly exposed to the risk that third parties or malicious insiders may attempt to use cybercrime techniques, including distributed denial of service, ransomware, malware and phishing attacks, to disrupt the availability, confidentiality and integrity of its IT systems, which could result in disruption to key operations, make it difficult to recover critical services, and damage assets. The Group may face increased risk of cybercrime as a result of the finalisation of the Managed Separation, given the Group's increased business profile and heightened media attention. Moreover, if the Group is subject to a cyber-attack, its systems may be subject to down-time in an effort to prevent a security breach. Such an outage may lead to reputational damage or customer confusion, which could have a material adverse effect on the Group's business, results of operations or damage its reputation. Like other companies in the financial services industry, the Group is subject to periodic cyber-attacks that it manages through its security protocols and, in rare instances, the business continuity plans that it has in place. These plans were used effectively when an unauthorised access breach was detected in 2017. The Group continues to invest in its ability to protect against cybercrime, focused on prevention, detection and response, and governance and awareness, whilst recognising that ongoing investment is needed to keep pace with changing risks. The Group continues to invest in its information security controls in response to emerging threats, such as cybercrime and fraud, and to seek to ensure that controls for known threats remain robust. The Group has rolled out cyber training to employees and has launched initiatives to foster cyber risk awareness across the business.

Any interruption, including as a result of human error or catastrophic events, to the Group's ability to rely on its internal or outsourced IT services or deterioration in the performance of these services could impair the timing and quality of the Group's services to its customers and result in a loss of customers, inefficient or detrimental transaction processing, weaknesses or errors in internal controls over financial reporting, and regulatory non-compliance, all of which could also damage the Group's reputation. The occurrence of any of these events could have a material adverse effect on the Group's business and results of operations. The Group continues to invest in back-up and recovery systems and contingency plans; however, there can be no assurance that interruptions, failures or breaches in security of these processes and systems will not occur or, if they do occur, that they will be adequately addressed.

**2.6 *Fluctuations in the fixed income, equity and property markets may adversely affect the value of shareholder funds and the profitability of certain risk and guaranteed products (including CPI-linked and level annuities, as well as investment contracts with investment-related guarantees), which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

In addition to the investment in Nedbank, the Group's shareholder capital is generally invested in short-dated fixed interest instruments or equities, with the South African portion mostly in the form of protected equity. Protected equity is an equity portfolio for which the risk is addressed using a hedge structure to protect against material devaluations of equity securities. A decline in any of these markets will lead to a reduction of unrealised gains in some of the assets or result in unrealised losses and could result in impairments.

The value of fixed income investments could be affected by changes in the credit rating of the issuer of the securities as well as by liquidity generally in the bond markets. When the credit rating of the issuer of the debt securities falls, the value of the fixed income security may also decline. In addition, most of the Group's fixed income securities are classified as financial assets at fair value through profit or loss and, as a result, any decline in the market value of these fixed income securities is reflected as an accounting loss in the period during which it occurred, even if the Group has not sold the securities but kept them in its portfolio.

At 31 December 2017, 47%, 53% and 88% of policyholder funds in South Africa, Namibia and Zimbabwe, respectively, were invested in products with investment-related guarantees. Under the terms of these products, which differ from portfolio to portfolio, the Group guarantees a certain minimum investment return and/or minimum fund values under certain events specified in the policy (these events include death, policy maturity or regular 5-year periods for retail products and regular retirement fund benefit payment events, including withdrawal, retirement and death payments for group products). The Group uses a smoothing account (which can be positive or negative) that results in a level of inter-generational risk sharing within these products. As equity markets fall, the valuation of investment guarantee reserves increases, which may negatively impact on the Group's results. In the event that the decline in value of the invested assets is greater than the decline in policyholder liabilities associated with the guaranteed benefits (ie when the smoothing account falls below an acceptable level), the Group will be required to either support smoothing accounts or take management actions to reduce policyholder benefits that have not been guaranteed. These actions will have an adverse impact on the Group's business, financial condition, results of operations and prospects.

The Group is also exposed to fluctuations in the property markets in respect of its equity investment in Nedbank and Nedbank's capital investment in property. Nedbank has exposure to property risk through its commercial and retail mortgage advances. The value of these advances is subject to risks related to, amongst others, occupancy levels, rent levels, consumer spending, prices of properties and interest rates. Weak economic performance or a downturn could also result in a decline in the market values of commercial properties as a result of reluctance in the market to buy property. Any decline in the market values of Nedbank's property investments could have a material adverse effect on the Group's business, results of operations and financial condition to the extent that it impacts Nedbank's results of operations and financial condition.

## **2.7 *Changes in interest rates could have a material adverse effect on the Group's business and results of operations.***

Interest rate risk generally arises from changes in interest rates, either upwards or downwards, and a mismatch in the duration of assets and liabilities. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, financial deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the control of the Group in respect of its insurance and banking operations, particularly Nedbank. The Group's main interest rate risk exposure occurs in respect of non-profit insurance contracts (guaranteed annuities and risk contracts), where asset and liability values may not change by the same amount and may therefore be different as a result of interest rate movements due to factors such as differences in volume and duration. The Group's other main interest rate exposure occurs with investment guarantee reserves, where the main concern is falling interest rates, which increase the inherent value of underlying investment guarantees that are more likely to be paid out in a low investment return environment. Furthermore, interest rates of different maturities can fluctuate relative to each other. This results in a steepening or flattening of the yield curve, meaning that the value of fixed income assets may develop differently from the value of insurance liabilities against which the Group matches them. Any mismatch between the valuations of the fixed income assets and liabilities could, depending on applicable accounting, reporting and regulatory frameworks, have a material adverse effect on the Group's available regulatory capital and results of operations. In the Group's banking businesses, particularly Nedbank, while increases in interest rates may increase revenues in the short-term, in the medium-term they create the risk that the Group may incur rising defaults and higher impairments.

In the Group's life insurance business, interest rate risk is managed by matching the interest sensitivity and cash flows of assets and liabilities. The Group has various hedging strategies in place to reduce the impact of interest rate movements on its earnings and solvency position. Any mismatch between the interest rate used for discounting the liabilities and the hedged interest rate could render the hedge unsuccessful and expose the Group to losses and volatility. Within the life insurance business hedging strategies, including natural offsetting interest rate exposures between product sets, have resulted in minimal impacts on operating results and financial position from interest rate movements in the last 3 years. The volatile nature of interest rates in South Africa has resulted in continued maturity of hedging and management practices to ensure these strategies maintain risk exposures within risk management thresholds. Although the Group will continue to manage interest rate risk, it may not hedge such exposure effectively in the future. If the Group is unable to effectively hedge its exposure to changes in interest rates, such changes may have a material adverse effect on the Group's results of operations.

**2.8 The Group is exposed to the risk that entities to which it has made loans or in which it has invested, directly or indirectly, may default, which could have a material adverse effect on the value of the Group's assets.**

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. As at 31 December 2017, the Group's net credit exposure was R1,599 billion.

The Group, particularly through Nedbank although to a growing extent through its other banking businesses, has significant exposure to credit risk. Nedbank has a greater proportion of wholesale funding than the market average and is exposed to significant credit risk within the core South African market and in the rest of Africa, where there are particular challenges due to low growth.

The Group's retail lending businesses in South Africa, Zimbabwe and Kenya assume the majority of the Group's exposure to the default risk of borrowers. The credit provided to third-parties is at times unsecured and the security that is pledged may prove to be insufficient or such third-parties may default on their obligations to the Group due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure, fraud or other reasons. The Group's retail banking businesses have dedicated credit risk management processes to manage credit risk. However, the amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond the Group's control and these losses may exceed its current estimates. The Group cannot fully predict known and inherent losses in its portfolio of loans or give assurances that its credit risk management will be adequate in the future. Excessive loan losses could have a material impact on the Group's financial performance.

Within the insurance businesses credit risk arises predominantly through the management of credit assets backing non-profit contracts (mostly annuity products), but also through direct credit exposure in shareholder capital. The credit assets are accounted for at fair market value, while the liabilities these assets match are valued with reference to the current risk-free yield curve (local government bond yields or swap curve). The Group is therefore not exposed to movements in the risk-free yield curve, but is subject to market risk in the fixed income portfolio resulting from an increase in the likelihood of defaults ("spread risk"), or a material decline in the liquidity of these assets making them difficult to value, which would not impact insurance liability valuations. This is additional to the normal default risk on these credit assets.

The wholesale advances to commercial and retail businesses on Nedbank's balance sheet are valued at amortised cost. If a borrower defaults on his mortgage loan, the value of the unsecured portion of the loan will be impaired or written down on the Group's balance sheet. An increase in defaults or the likelihood of defaults under Nedbank's mortgage loans could have an adverse effect on the Group's results of operations and financial condition.

The Group is significantly exposed to sovereign debt instruments. There is a risk that public perceptions about the stability and creditworthiness of financial institutions and the financial sector generally might be affected by a sovereign downgrade, as might counterparty relationships between financial institutions. If South Africa were to default on its obligations, or adopt policies that devalue or otherwise alter the currencies in which its obligations are denominated, this could have a material adverse effect on the Group's financial condition and results of operations.

The Group is also exposed to concentration risk within each business and between businesses, which is the risk of default by counterparties or in investments in which it has taken large positions, or which are highly correlated. While the Group maintains limits on the values of transactions with single counterparties or investments in specific sectors, a single default of a large exposure, or the occurrence of multiple, correlated losses, could therefore lead to a significant loss for the Group.

Any losses as a result of the Group's credit default or concentration risk may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

**2.9 The value of the Group's investment in Nedbank may decrease or it may be required to invest additional capital in the business, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.**

The Old Mutual plc Group has historically owned a controlling interest in Nedbank. Old Mutual plc has nominated 3 directors to the board of directors of Nedbank and the chairperson of the board of directors of Nedbank has been a member of the board of directors of Old Mutual plc ("Old Mutual plc Board"). The relationship between the parties has been governed by a relationship agreement between Old Mutual plc and Nedbank, formerly Nedcor at the time of the conclusion of agreement (the "Historic Nedbank Relationship Agreement"). Following the Admissions, the Company will accede to the rights of Old Mutual plc under the Historic Nedbank Relationship Agreement and will indirectly own a 53% shareholding in the issued share capital of Nedbank, of which 1% is held on behalf of policyholders, with the remainder held in its shareholder funds, through which it will be exposed to the risks to which Nedbank is subject. Following the Nedbank Unbundling, the Group will decrease its shareholding in Nedbank to 19.9% of the issued share capital, with the Nedbank shares being held as shareholder capital within OMLACSA. While the Group will have reduced its exposure to Nedbank as a result of the Nedbank Unbundling, it will continue to remain exposed to risks related to Nedbank that may impact

the value of its remaining 19.9% shareholding in the issued share capital of Nedbank in its shareholder funds and thereby the Group's earnings. On or around the date of this Pre-listing Statement, Nedbank and the Company entered into a relationship agreement (the "New Nedbank Relationship Agreement") governing the terms of their relationship that comes into effect upon the completion of the Nedbank Unbundling that will replace the Historic Nedbank Relationship Agreement upon the completion of the Nedbank Unbundling. Under the New Nedbank Relationship Agreement, the Company will have the right to only nominate 1 member to the board of directors of Nedbank (but will lose this right if its shareholding falls below 15%). Nevertheless, as a result of divesting itself of control of Nedbank, the Group will have less or no ability to control how these risks are managed and mitigated. In addition, the value of the Group's investment in Nedbank will be written up to fair value on the effective date of the Nedbank Unbundling. Therefore, there is an increased risk that the value of the Group's shareholding in Nedbank following the Nedbank Unbundling may be impaired. Any material decrease in the value of the Group's investment in Nedbank would have a material adverse effect on the Group's results of operations, financial condition and prospects.

Furthermore, after the Admissions, and so long as it owns at least a 15% shareholding in Nedbank, the Group will still be the significant owner of Nedbank under the FSR Act. Therefore, it may be required to increase its investment in Nedbank in the event that Nedbank needs to raise incremental equity capital. Under South African law, the SARB can obligate major shareholders in financial institutions like Nedbank to increase their investment if the institution undergoes a liquidity crisis. In the extreme event that the Group is required to make a significant capital investment in Nedbank, it could have a material adverse effect on the Group's capital position, business, results of operations, financial condition and prospects.

**2.10 *Rand value relative to the functional currency of the Company's subsidiaries and associates could impact the Group's reported results of operations and financial condition.***

Due to the geographical diversity of the Group's businesses, the Group's financial results are subject to translation risk. The Group's operations in Africa (excluding South Africa and Namibia, the currency of which is pegged to the Rand), Latin America and China generally write policies and invest in assets denominated in local currencies. Although this limits transaction risk associated with the effect of exchange rate fluctuations on local operating results, it can lead to significant fluctuations in the Group's consolidated financial statements upon the translation of non-South African sourced operating results into Rand. For example, decreases in the value of the Company's operating subsidiaries' functional currencies against the Rand may reduce those operating subsidiaries' contributions in Rand terms. Furthermore, the Group, through Nedbank's investment in Ecobank, is exposed to fluctuations in the currencies of the West African jurisdictions in which Ecobank operates against the US dollar and then the US dollar against the Rand when the investment in Ecobank is reflected on an equity accounting basis in Nedbank's financial statements. Going forward, the Group may expand its operations into additional African countries, thereby exposing it to additional currencies.

The currency exposure relating to the translation of reported earnings could impact the Group's financial results. The impact of gains or losses on currency translation is recorded as a component of shareholders' funds within other comprehensive income. The Group does not hedge translation risk in its operating results. In addition, the Group's surplus capital position for regulatory reporting purposes may be affected by fluctuations in exchange rates with possible consequences for the degree of flexibility the Group has in managing its business. Customer portfolios managed by the Group include a range of assets that are denominated in foreign currencies, including foreign equities, bonds and property. The effect of exchange rate fluctuations on these assets could lead to significant fluctuations due to currency translation, which could reduce the fees the Group earns on such investments and thereby have a material adverse effect on the Group's business, results of operations and prospects.

**2.11 *Adverse persistency experience compared with the assumptions used in valuing and pricing products, establishing provisions and reporting business results could have a material adverse effect on the Group's results of operations.***

The Group's results of insurance operations depend to a significant extent on whether its actual experience is consistent with the assumptions and models used at the time policies are underwritten, when the Group sets the prices for products and establishes the provisions for future policy benefits and claims. These assumptions are estimates based on historical data and statistical projections of what the Board believes the settlement and administration of its liabilities will be and are therefore applied to arrive at quantifications of some of the Group's risk exposures.

The main insurance business risk that the Group is exposed to is persistency risk (including surrenders, transfers and paid-ups), where the Group is not always able to fully recover the up-front expenses it incurs by selling a product. In addition, certain acquisition costs related to the sale of new policies and the purchase of policies already in force are deferred and recorded as assets on the Group's balance sheet and are amortised into income over time. The Group designs its products (including charging and commission structures) to control financial losses on persistency and monitors persistency statistics using monthly and annual analyses. Nevertheless, if the assumptions relating to the future profitability of these policies (such as assumptions relating to future claims, investment income and expenses) are not realised, these costs could be amortised faster or written off entirely if deemed unrecoverable. The accelerated amortisation or write-off could have a material adverse effect on the Group's results of operations.

**2.12 *Changes in mortality, longevity and morbidity experience in the Group's life insurance business may have a material adverse effect on the Group's business and results of operations.***

The Group assumes liability risk by writing and issuing insurance contracts under which the policyholder or another beneficiary will be compensated if a specified uncertain future event affecting the policyholder takes place. The Group's life insurance business is exposed to mortality risk (the risk that the insured party dies sooner than anticipated), longevity risk (the risk that the insured party lives longer than anticipated) and morbidity risk (the risk that the insured party falls seriously ill or is disabled).

Mortality risk is the main insurance risk underwritten by the Group. Notwithstanding the material size of the book, there is capacity and risk tolerance to underwrite the business with limited reinsurance cover in place. The Group uses its most recent mortality expectations in establishing its insurance liability provisions and trends are actively monitored to anticipate the Group's exposure. The Group makes use of industry mortality tables, adjusted to take its own experience into account. Mortality tables are updated periodically and any such updates may require that the Group updates its assumptions. In setting mortality rates, the incidence of HIV/AIDS infection in some of the jurisdictions in which Group companies operate is taken into account. Assumptions about mortality relate to the Group's best estimates, however, a global or continental pandemic may produce an increase in mortality in excess of the Group's assumptions, potentially leading to more claims being paid out.

The Group carries longevity risk on all of its non-profit annuity contracts. If insured parties live longer than the Group initially projected, it will be required to continue paying out to the annuitants for longer than anticipated (and therefore longer than was reflected in the original pricing of the annuity and in the liability established in respect of the policy). The long-term trend of advances in medicine and healthcare, better education and higher incomes leading to increased life expectancy could potentially lead to higher pay out levels than the Group anticipated.

The Group is also exposed to morbidity risk that more policyholders (or the staff and families thereof) than it anticipated will suffer from long-term health impairments and become (partially or fully) incapable of work, as well as the risk that those who are eligible to make a claim do so for longer than anticipated (and therefore longer than was reflected in the price of the policies and in the (technical) reserves established for the policies). In 2016, the Group experienced an increase in disability claims that had a negative effect on the Group's results of operations.

Discrepancies between assumed mortality, longevity and morbidity and actual mortality, longevity and morbidity experience may have a material adverse effect on the Group's results of operations.

If actual claims experience is less favourable than the underlying assumptions, or if it is necessary to increase provisions in anticipation of a higher number or value of future claims, it may be necessary to increase prices for future insurance policies and to set aside additional capital and provisions for the existing policies. The impact of changes in assumptions for most of the Group's life insurance products is capitalised over the remaining life of the policies through the Group's income statement. Changes in assumptions could therefore have a material adverse effect on the Group's results of operations.

**2.13 *Changes in underwriting experience across Property and Casualty may have a material adverse effect on the Group's business and results of operations.***

In connection with the provision of its property and casualty insurance products, the Group establishes reserves to cover its estimated liability for claims and claim adjustment expenses for property and casualty insurance. Reserves do not represent an exact calculation of liability, but rather are best estimates of the expected cost of the ultimate settlement of claims and benefits and expenses of operations. These estimates are derived from actuarial and statistical projections based on facts and circumstances known at a given time and estimates of trends in claims severity and other variable factors, including new bases of liability and general economic conditions. The process of estimating loss reserves involves a high degree of judgment and is subject to a number of variables. These variables can be affected by both internal and external events, such as changes in claims handling procedures, economic inflation, legal trends and legislative changes, among others. The impact of many of these items on ultimate costs for claims and benefits is difficult to estimate, particularly in the case of property and casualty and credit guarantee insurance, which the Group provides to insure companies for their credit exposure. Changes in trends or other variable factors underlying its reserve estimates could result in claims in excess of reserves or increases in expenses compared to allowances that have been made. For example, in 2017 the Western Cape was struck by severe rain storms and a large area of Knysna in the Eastern Cape was engulfed by fires while the West Rand of Gauteng and large parts of KwaZulu-Natal were hit by hail, wind and rain storms. The damage from these events caused substantial losses to property owned by the Group's customers, resulting in an increase in the catastrophe losses reported in the period, which the Group covered through reinsurance. Cape Town is currently experiencing a severe water shortage that has caused water restrictions to be imposed. If the shortage worsens and the water supply is shut down, the risk of business disruption, fire and property damage claims will increase. In response, it may be necessary to increase prices for future insurance policies and to set aside additional capital and provisions for existing policies. Such adverse developments could have a material adverse effect on the Group's results of operations and financial prospects.

**2.14 *Liquidity risk as it pertains to market positions or portfolios that cannot be liquidated in a timely manner or hedged without significantly affecting market price because of inadequate market depth or market disruption or changes in the illiquidity premium impacting both the market price of assets and the valuation of certain life insurance liabilities (ie guaranteed annuities) may have a material adverse effect on the Group's business, results of operations and prospects.***

Liquidity risk is inherent in much of the Group's business. Each asset purchased and liability sold has unique liquidity characteristics. Some assets have high liquidity in that they can be converted into cash relatively quickly, while other assets have comparatively low liquidity. Market downturns typically exacerbate low liquidity. They may also reduce the liquidity of those assets that are typically liquid, as occurred following the financial crisis with the markets for asset-backed securities relating to property assets and other collateralised debt and loan obligations. While to a lesser degree than markets in Western Europe and North America, South African financial markets are generally more liquid and deep than those in some of the other markets in which the Group operates, including Zimbabwe, Namibia and Kenya.

In periods of illiquidity or market stress, the Group may be unable to sell or buy assets at market efficient prices and may therefore realise investment losses or incur higher financing costs. The Group maintains reserves and banking facilities that the Board believes are adequate and matches the maturity profiles of financial assets and liabilities in order to reduce liquidity risk. Individual businesses separately maintain and manage their local liquidity requirements according to their business needs within the overall liquidity framework established by the Company. However, if the available liquid financial resources do not satisfy the Group's needs at a point in time, the Group may also have to seek additional financing. Credit and capital markets can be volatile and subject to disruption. Consequently, the Group may not be able to successfully obtain the additional financing required or the financing might not be on favourable terms. In addition, illiquid markets could result in the Group's banking business segment being required to hold higher levels of liquid but low yielding assets as a buffer or having to raise or hold additional funds for operational purposes through financings, thereby adversely affecting revenues and results of operations.

The Group uses a portion of the balance sheet of OMLACSA, its principal financing subsidiary, as a source of funding. The main sources of funding are capital backing certain non-profit products that are generally regarded as illiquid (e.g. annuities that cannot be surrendered or fixed-term guaranteed investment products). This funding is provided to subsidiaries by way of inter-company loan agreements at appropriate market rates in order to enhance investment returns or the ability to price products competitively. The funding may be deployed to a diverse portfolio of highly liquid to illiquid credit instruments or utilised for short- to medium-term unsecured loans to the retail mass market. If significant liquidity is required to cover extraordinary outflows (such as for persistency events), the Group may not be able to generate liquidity as efficiently as needed because the underlying assets are difficult to liquidate. In these circumstances, unavailability of sufficient liquid assets could prevent the Group from effectively meeting expected and unexpected future cash flows and collateral needs, which could have an adverse effect on the Group's business, results of operations, financial condition and prospects.

Furthermore, in order to hedge interest rate and equity exposure and reduce earnings volatility, the Group (principally OMLACSA and Nedbank) enters into external hedging contracts such as interest rate swaps and collars. These contracts are required to be collateralised either by cash or bonds. As these contracts are linked to interest rates and equity movements, volatility in these markets could cause large calls on liquidity in respect of margin calls.

Lastly, in Zimbabwe, acute shortages in foreign currencies and accounts held in foreign currencies in other banks ("nostro") over the last year have limited the ability of companies with foreign shareholders to pay dividends from their Zimbabwean operations. As a result of these restrictions, the Group is currently unable to receive declared dividends from its Zimbabwean operations thereby impacting on this source of liquidity for the Group. The nostro shortages also increase certain liquidity risks within the Group's Zimbabwean banking operations, particularly as the operations face difficulties diversifying deposits, securing longer term funding and redeeming external long-term US dollar-denominated funding.

**2.15 *The Group takes on significant insurance risks in Property and Casualty and reinsurance may not be available, affordable or adequate to protect the Group against losses, and reinsurers may default on their reinsurance obligations.***

As part of its overall risk and capacity management strategy, the Group purchases reinsurance for certain risks underwritten by several of its lines of business, in particular Property and Casualty. The Group does not typically reinsure against its life insurance risks to a significant level. Market conditions beyond the Group's control determine the availability and cost of reinsurance. In 2017, the firestorm in the Western and Eastern Cape as well as severe floods and hailstorms in KwaZulu-Natal and Gauteng are likely to cause an increase in the cost of reinsurance in the property and casualty industry, including for the Group, which will in turn lead to an increase in property and casualty insurance rates. The Group may therefore be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could materially

adversely affect its ability to write future business and expose it to higher levels of losses. Reinsurance agreements are designed to spread the risk and minimise the effect of losses. The amount of the retained risk depends on an evaluation of the specific risk, which is subject, in certain circumstances, to maximum limits based on the characteristics of coverage. Furthermore, in terms of the draft Prudential Standards that will become applicable to the Group's insurance business pursuant to the Insurance Bill coming into effect, the regulator may issue limits on the amount of risk that may be reinsured, particularly in respect of off-shore reinsurance arrangements.

Under the terms of these reinsurance agreements, the reinsurer agrees to reimburse the Group for the ceded amount in the event that the Group is required to pay out the ceded claim to a policyholder. However, the Group's insurance subsidiaries remain liable to the policyholders if any reinsurer fails to meet its reinsurance obligations. A default by a reinsurer to which the Group has material exposure could expose the Group to significant (unexpected) losses and therefore have a material adverse effect on its business, results of operations and financial condition. As at 31 December 2017, the Group's largest exposure to reinsurers in Property and Casualty was to SCOR Re, which amounted to R1,435 billion.

#### **2.16 *The Group is subject to conduct risk when selling its insurance products, providing investment advice and lending.***

The Group, as a financial institution, handles large amounts of money, customer data and privileged information and is therefore exposed to conduct risk. Conduct risk is the risk that decisions and behaviours of a company, its employees, its advisers or its appointed representatives lead to its customers being treated unfairly or otherwise result in detrimental customer outcomes. Conduct risk may arise where the Group fails to design, implement or adhere to appropriate policies and procedures, offers products, services or other propositions that do not meet the needs of customers or fails to perform in accordance with its intended design, fails to communicate appropriately with customers, fails to deal with complaints effectively, sells or recommends unsuitable products or solutions to customers, fails to provide them with adequate information to make informed decisions or provides unsuitable investment or financial planning advice to customers, or fails to do any of the foregoing on an ongoing basis after initial sales, among other things. Conduct risk can also arise in relation to retail lending in the Group's banking businesses, including, for example, if customers are sold products they cannot afford or if interest rates above certain caps are charged.

The Group provides numerous services and products to customers in South Africa and in other markets in which it operates through a large tied adviser force, in the case of insurance products, and through financial advice, principally in its Wealth and Investments segment. In South Africa, the retail distribution review will increase the responsibility of the product supplier's role and, due to the Group's large tied adviser force, this will increase its conduct risk. The Group's product suppliers will, furthermore, need to adopt increased oversight and review mechanisms in respect of its adviser force.

The Group is also exposed to risks associated with the management of investments which might lead to a material operational loss for 1 or more of its customers. For example, failure to define properly the investment remit applicable to customer assets as a result of unclear agreed guidelines or inaccurate recording of customer communications could lead to investments being made in breach of the mandate given by customers. Similarly, inadequate or failed internal Group policies, processes and systems could lead to poor investment decisions and poor asset allocation, the wrong investments being bought or sold or the incorrect monitoring of exposures as well as a possible erosion of the Group's reputation or liability to pay compensation. Failures of this nature could also lead to existing customers withdrawing funds and potential customers not granting investment mandates, which could have a material adverse effect on the Group's business, results of operations or financial condition.

This risk may also arise as a result of employee (mis)conduct as the Group faces a risk of loss due to errors, negligent behaviour, lack of knowledge, fraud or wilful violation of rules and regulations by its employees. Misconduct by employees could bind the Group to transactions that exceed authorised limits or present unacceptable risks, or hide from it unauthorised or unsuccessful activities, which, in either case, could result in unknown and unmanaged risks and losses. Employee misconduct could also involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious financial losses. Employee misconduct in any form could also result in significant damage to the Group's reputation, which could in turn hinder the Group's ability to retain existing customers or compete for new business. It is not always possible to deter and detect employee misconduct, and the precautions taken by the Group may not always be effective.

The Group purchases professional indemnity and crime insurance but remains exposed to retention, exclusions and losses above the policy limits. The Group retains loss reserves related to errors, omissions and crimes in a captive insurance vehicle. These reserves are based on an actuarial forecast analysis of its claims experience, which the Board believes are adequate to provide for the self-insured retention. Nevertheless, given the unpredictability of errors, omissions and crime claims and of litigation which could flow from them, it is possible that losses could exceed the Group's level of loss reserves and an adverse outcome in a particular matter or in relation to a series of related matters could have a material adverse effect on its business, results of operations or financial condition.



- 2.17 ***If the Group fails to manage conflicts of interest between its advisers and other businesses across the Group, it could result in reputational damage or regulatory liability, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

The Group faces significant potential and actual conflicts of interest, including those which result from the Group's network of tied advisers. Potential conflicts of interest include conflicts around fee arrangements, cross-selling, inducements, advice, rebates, gifts and hospitality. While the Board believes these potential and actual conflicts of interest have been adequately identified and the Group has policies and procedures to manage the risk of conflicts of interests (at Board, Senior Management and staff levels), there can be no assurance that the Group will not suffer reputational damage or potential regulatory liability if its information barriers, procedures and systems to identify, record and manage potential and actual conflicts of interest fail or are insufficient. The Group has systems in place to identify and investigate potential breaches and take necessary corrective action; however, these systems may be insufficient and any such failure could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the Group is subject to the risk that poor decisions or actions will arise from any unidentified conflicts of interest, which may result in customer detriment, financial loss, reputational damage or regulatory action.

- 2.18 ***The loss of Senior Management and key personnel and the failure to attract and retain Senior Management and key personnel, including investment professionals, could have a material adverse effect on the Group's business and impair its ability to implement its business strategy.***

The Group's performance depends on, among other things, its ability to attract and retain Senior Management and key personnel with appropriate knowledge and skills, particularly financial reporting, investment/portfolio management, sales, IT, risk management, compliance, underwriting, actuarial and other specialist skills, experience and other competencies as may be required to remain a competitive business and to achieve its business strategy. The Group has encountered difficulties attracting skilled personnel in certain jurisdictions, particularly East Africa, and in Old Mutual Insure Limited ("Old Mutual Insure"), where the Group has faced challenges filling key roles in recent years. Competition for senior managers as well as personnel with these skills is intense among African financial services companies, and the Group is focused on maintaining a high quality of staff. Furthermore, the Group is undergoing a period of change that could lead to the loss of employees. As part of the Managed Separation, the Group has changed its leadership and appointed, amongst other members of Senior Management, a CFO. The Group has invested significant time in talent management, particularly during this period of change, however, the change in composition of the Group's leadership may result in key personnel choosing to leave the Group. The Group may incur significant costs to attract and retain such personnel or may fail to do so. Its ability to attract and retain Senior Management and key personnel depends on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent. The loss of important Senior Management and personnel within the Group, as well as any failure to attract and retain qualified personnel, could lead to deficiencies in internal controls and risk management and have an adverse impact on the implementation of the Group's strategic objectives and regulatory commitments. This could have a material adverse effect on its business, results of operations or financial condition.

- 2.19 ***If the Group is unable to maintain and expand its tied adviser network force, it may have a material adverse effect on the Group's business, results of operations and prospects.***

Based on available public disclosures, as at 31 December 2016, the Group had the largest tied adviser network amongst its traditional insurance company peers, numbering approximately 7,900. The Group relies on these advisers to distribute its insurance and finance products. If the Group is unable to continue to grow its adviser network, either through organic recruitment or acquisition activity, it may fail to achieve its strategy or achieve the anticipated benefits of its strategy, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Furthermore, the Group may be unable to retain the existing advisers either as a result of factors outside of the Group's control or factors within the Group's control (such as failure to offer competitive incentive plans or deliver good customer service). The Group may also be unable to replace the lost advisers, which could have a material adverse effect on the Group's business, results of operations and prospects.

- 2.20 ***If the Group fails to maintain a competitive independent distribution network to sell and distribute its products, it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

A significant proportion of the Group's product distribution is carried out through arrangements with independent intermediaries that are not controlled by the Group and the Group is dependent upon the continuation of these relationships. The Group does not have direct operational or financial control over independent intermediaries. In addition, the Group does not have exclusivity agreements in place with its independent intermediaries and they are therefore free to offer products of other insurance companies as well, and they have no obligation to give precedence to the products of the Group. Furthermore, regulations may limit, and in some instances prohibit, the Group from offering such intermediaries consideration to give preference to the Group's products.

The Group is exposed to the service capabilities of each of its independent intermediaries, which may be impacted by their ability to retain and attract appropriate personnel, their financial position, competitive factors within their

industries and other factors which are outside of the Group's control. If any independent intermediaries fail to meet the Group's quality or performance specifications or expectations, the Group may incur additional costs and be unable to effectively serve its existing customers as well as grow its business. A temporary or permanent disruption to these distribution arrangements, such as through significant deterioration in the reputation, financial position or other circumstances of the independent intermediaries, could adversely affect the results of operations of the Group.

The successful distribution of certain Group products therefore also depends on the preferences of independent intermediaries for its products and services. Independent advisers assess which companies are suitable for its customers by considering, among other things, the security of the investment and prospects for future investment returns in light of a company's product offering, past investment performance, financial strength and perceived stability, ratings, the amount of initial and recurring sales commission and fees paid by a company and the quality of the service provided. An independent intermediary then determines which products are most suitable by considering things such as product features and price. An unsatisfactory assessment of the Group and its products based on any of these factors could result in the Group generally, or in particular certain of its products, not being actively marketed by independent intermediaries to their customers.

A failure by the Group to maintain a competitive distribution network could have a material adverse effect on its business, financial condition, results of operations and prospects.

**2.21 *All of the Group's businesses are subject to operational risks including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, systems and human error or from external events that could have a material adverse effect on its results of operations.***

Operational risks are present in all of the Group's businesses, including the risk (from both the Group and its partners) of direct or indirect loss resulting from inadequate or failed internal and external processes and systems, and human error (including Group personnel or third parties such as intermediaries and other persons engaged by the Group to sell and distribute its products and to provide other services to the Group) or from external events that are beyond the Group's control.

The Group's business is dependent on processing a large number of transactions across numerous and diverse products, and is subject to a number of different legal and regulatory regimes. In addition, the Group also employs a large number of models and user developed applications in its processes. Further, because of the long-term nature of much of the Group's business, accurate records have to be maintained for significant periods. These factors, among others, result in significant reliance on, and require significant investment in, compliance and other operational systems, personnel and processes.

The Group's internal processes and systems may be inadequate or may otherwise fail to be fully effective due to the failure by Group personnel and third parties to comply with internal business policies or guidelines, and (unintentional) human error, which may result in, among others, the incorrect or incomplete storage of files, data and important information (including confidential customer information), inadequate documentation of contracts, the overcharging of policyholder fees and mistakes in the settlement of claims. As some of the Company's subsidiaries are separately listed and not fully owned, the efficient flow of information and alignment of strategic objectives may be impeded. The Group's most material separately listed subsidiaries are Nedbank and UAP Holdings Limited ("UAP") and shareholder agreements are in place which provide for governance approvals and access to information to enable the Group to meet its legal and regulatory obligations. In East Africa, the Group is focused on improving performance and integration, both of which have been slower than anticipated due to the need to enhance existing oversight and processes. There have been instances of compliance and internal control issues in some of the Group's subsidiaries in the Group's operations in the rest of Africa ("Rest of Africa") which, although not material to the Group, have resulted in additional oversight and control remediation being put in place during 2017 and 2018.

Although the Group's compliance and other operational systems, models and processes incorporate controls designed to manage the operational and model risks associated with its activities, there can be no assurance that such controls will always be effective. If any of these operational risks were to occur, it could result in, amongst other things, additional or increased costs, errors, fraud, loss of existing customers, loss of potential customers and sales, harm the Group's ability to perform necessary business functions, result in the loss of confidential or proprietary data (exposing it to potential legal claims and regulatory sanctions) and damage the Group's reputation and relationships with its customers and business partners, any of which, alone or in the aggregate, could negatively impact the Company's ability to remit capital or dividends and could have a material adverse effect on the Group's business, financial condition and results of operation. Similarly, any weakness in administration systems (such as those relating to policyholder records or meeting regulatory requirements) or actuarial reserving processes could have a material adverse effect on its results of operations during the effective period.

Furthermore, natural and man-made disasters or prolonged infrastructure deficiencies may also endanger the continuity of the Group's business operations and the security of the Group's employees, and may adversely

affect the Group's business, results of operations and financial condition by causing, among other things: disruptions of normal business operations due to property damage, particularly to Mutualpark, Cape Town or the Group's Sandton offices, loss of life, or disruption of public and private infrastructure, including power, IT and communications and financial services. This risk is particularly pronounced for Nedbank as it operates 24 hours a day, 7 days a week, and any business interruption could therefore materially disrupt its short- and medium-term operations. If the Group's business continuity plans do not include effective contingencies for such events, recovery may not be realised in a timely manner or at all, which could result in significant disruptions in its operations. Any such disruptions could result in loss of customers, reduced sales volumes, damage to the Group's reputation and could materially adversely affect its competitive position, business, results of operations and financial condition for a prolonged period of time.

In addition, in the event that Cape Town's municipal water supply is shutdown on a temporary or persistent basis, the Group anticipates that its operational efficiency and productivity will be reduced, which would have a material adverse effect on the Group's business, results of operations and prospects.

**2.22 *The Group is subject to various risks relating to the outsourcing of services to third-party contractors, suppliers and service providers.***

The Group outsources and procures certain functions and services externally to third parties. For example, the Group partners with major third-party service providers to provide IT platforms for its lending and life and property and casualty insurance products. The Group expects that its commodity services, such as collaboration solutions, will be cloud-based if the technology meets the Group's risk and security requirements and supported by a third-party provider. Infrastructure services are also outsourced to third-parties in South Africa as well as to Nedbank, which, while it will remain a related party under the JSE Listings Requirements, will become a third-party following the Nedbank Unbundling.

If the Group does not effectively develop and implement its outsourcing strategies and its internal capability to manage such strategies, third-party providers do not perform as anticipated, or the Group experiences technological or other problems with a transition, it may not realise productivity improvements or cost efficiencies and may experience operational difficulties, increased costs and a loss of business. Moreover, if the contracts with any of these third-party providers were terminated, the Group may not find alternative service providers on a timely basis or on comparable terms or may suffer disruption as a result of the transition of functions to the new service provider. Furthermore, mistakes by third-party providers, for example in relation to pricing functions, could result in reputational damage, a requirement to pay compensation to customers or regulatory action or fines. The Group may be unable to recover losses from third-party providers, for example in the event of a provider's financial distress or limitations on liability.

While the Group has contractual requirements and protections in place with its third-party suppliers, the Group does not have operational or financial control over them. Therefore, the Group's suppliers may not meet their obligations under their respective contracts, the Group's oversight may not detect any non-compliance with such obligations or the obligations themselves may not be sufficient to protect the Group. The Group is also exposed to risks associated with cybercrime and fraud with respect to its third-party contractors, suppliers, advisers and service providers. If these third parties fail to provide equipment, technology or administrative services on a timely basis, the Group may be unable to provide services to its advisers and customers until an alternative source can be found, which may not be available on favourable terms or at all.

**2.23 *Actual or perceived investment underperformance relative to competitors or benchmarks could cause existing customers to withdraw funds and potential customers to not grant investment mandates, which could have a material adverse effect on the Group's business, results of operations and prospects.***

Investment performance underpins the attractiveness of the investment and savings products and/or funds offered by the Group. When buying investment or savings products or selecting an investment manager, customers (including South African pension fund trustees, tied advisers and independent intermediaries, which include independent financial advisers, actuarial consulting firms and retail and corporate brokers) typically consider, among other things, the historic investment performance of the product and the individual who is responsible for managing the particular investment portfolio (fund). If, for example, the Group, through its Wealth and Investments segment or otherwise, does not provide satisfactory or appropriate investment returns in the future, underperforms in relation to its competitors or benchmarks, does not sell an investment product which a customer requires, loses its key individual investment managers or is otherwise uncompetitive in its investment performance, existing customers may decide to reduce or liquidate their investment or, alternatively, transfer their mandates to another investment manager. In addition, potential customers (including both institutional and retail customers) may decide not to grant new investment mandates.

The Group could also experience a decline in the performance of affected assets, which may reduce its FUM and revenues, if it loses a number of its investment and portfolio managers. The Group's overall business depends on the continuation of the significant contribution made to its growth by its multi-asset portfolio managers. Accordingly, it is important that the Group retains such managers, and, where necessary, replaces them, either internally or from external sources. If the Group is unable to attract and retain experienced and talented managers, this could

impair the investment performance of its FUM. Any prolonged period of uncompetitive investment performance could have a material adverse effect on the Group's business, results of operations and prospects.

**2.24 *The Group may be exposed to failures in its risk management systems resulting in inadequate or failed processes or systems and human errors and fraud that could have a material adverse effect on its business, results of operations or financial condition.***

Risk can manifest itself in many ways including business interruption, poor vendor performance, information systems malfunctions or failures, external (outsourced) archive with original documents not being accessible, regulatory breaches, human errors, employee misconduct and/or internal and external fraud, including fraudulent claims by customers, theft, corruption, insider trading and fraudulent actions relating to third-party investment products or investment managers. These events can potentially result in financial loss or harm to the Group's reputation and hinder its operational effectiveness. The Group invests substantial time and effort in its strategies and procedures for managing its risks, including credit risk, strategic risk, market risk, insurance risk, liquidity risk, operational risk and conduct of business risk. Notwithstanding these control measures, risk is part of the business environment in which the Group operates and is inherent in its size, as well as its geographic diversity and the scope of the Group's businesses. The Group's risk management activities cannot anticipate every economic and financial outcome or the specifics and timing of each risk and with respect to the risks that can be anticipated, the Group may not be able to manage such risks appropriately. If circumstances arise that the Group does not identify, anticipate or correctly evaluate, its risk management system may prove insufficient and the Group could suffer material unanticipated losses. In addition, from time to time, the Group may change its management of risk based on findings of shortcomings by its regulators.

**2.25 *The Group is exposed to the risk of a downgrade or a potential downgrade in its credit or financial strengths ratings, in particular in South Africa, which could materially adversely affect the cost of borrowing as well as access to the debt capital markets.***

Credit ratings are primarily sought to support the raising of debt in capital markets. Such ratings also provide financial strength indications which are important factors affecting public confidence in financial services companies, particularly insurers, and are, as such, important to the Group's ability to sell its products and services to existing and potential customers, particularly corporate customers. On an operating subsidiary level, financial strength ratings reflect the opinions of rating agencies on the financial ability of an insurance company to meet its obligations under an insurance policy, and are typically referred to as "claims-paying ability" ratings.

Nedbank and OMLACSA are rated BB+ and ZAAA/-/zaA-1+, respectively, by Standard & Poor's Credit Market Services Europe Limited's ("Standard & Poor's") and are the Group entities most directly affected by ratings changes. These ratings were announced on 24 November 2017 and 7 August 2017, respectively. As at the Last Practicable Date, the Company had not received a credit rating.

Credit rating agencies review the financial performance and condition of insurers and assign ratings stating their current opinion of the financial strength and operating performance, the insurers' abilities to meet their obligations to policyholders and creditworthiness based on various factors, some of which are outside of the Group's control. The Group may need to take actions in response to changing standards or requirements set by any of the rating agencies, which may not otherwise be in the best interests of the Group. The Group cannot predict what additional actions rating agencies may take, or what actions OMLACSA or Nedbank may take in response to the actions of rating agencies. A credit rating downgrade or potential downgrade may have adverse consequences, which could negatively impact OMLACSA's and Nedbank's, and therefore the Group's, competitive position, funding and financing costs or reputation with its customers and/or its intermediaries. In addition, a downgrade could reduce public confidence in the Group and thereby reduce demand for its products and materially increase the number or amount of policy withdrawals by policyholders. These withdrawals could require the sale of invested assets, including illiquid assets, at a price that may result in investment losses. Cash payments to policyholders could, in turn, reduce the value of FUM and therefore result in lower fee income. A downgrade in OMLACSA's or Nedbank's credit ratings could also impair, or cause the termination of, the Group's relationships with creditors, reinsurers or trading counterparties, and increase collateral requirements, give rise to additional payments, or afford termination rights, to counterparties under derivative contracts or other agreements. Additionally, the credit rating agencies may issue a credit rating to the Company that is lower than is expected. Any of the developments described above could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

OMLACSA's and Nedbank's credit ratings are subject to the credit rating and creditworthiness of the sovereign. In 2017, 3 major ratings agencies downgraded South Africa's foreign credit ratings. Please see "– Social and political developments in South Africa and their impact on government policy, the independence of key state institutions and the governance of state-owned enterprises could adversely impact business confidence and financial markets. Because the Group engages with the Government of South Africa as an employer of its retail customers, sponsor of certain investment mandates and issuer of debt instruments, adverse political developments may have a material adverse effect on the Group's business, results of operations and prospects". These downgrades resulted in equivalent downgrades to debt issued by OMLACSA, Nedbank and Residual plc (as defined in Annexe 18 to this Pre-listing Statement), although the financial effects of the downgrade were

not material. On 23 March 2018, Moody's maintained South Africa's investment grade rating and changed the outlook to stable citing the beginning of reform under President Ramaphosa. A further downgrade would lead to South Africa being excluded from Citigroup's World Government Bond Index ("WGBI"), which requires investment-grade ratings (for the foreign-denominated debt) from both Moody's and Standard & Poor's, and would result in a substantial sell-off of South African debt due to the volume of passive funds known to be tracking the WGBI and active funds linked to the WGBI. Further downgrades may trigger sell-offs, depending on the rules governing the various bond indices and mandates for bond funds. Furthermore, if South Africa's sovereign debt is downgraded further, it is likely that equivalent downgrades would impact public sector institutions and domestic banks, followed by domestic corporates. If a sovereign default were to occur, other financial institutions may also suffer losses or experience solvency or other concerns, and the Group might face additional risks relating to the debt of such financial institutions (if any) held in its investment portfolio. If South Africa were to default on its sovereign debt obligations, or adopt policies that devalue or otherwise alter the currencies in which its obligations are denominated, this could have a material adverse effect on the Group's financial condition and results of operations.

**2.26 *Changes in accounting standards or policies, or the Group's financial metrics, including as a result of choices made by the Group, could adversely impact the Group's reported results of operations and its reported financial condition.***

The Group's consolidated financial statements are subject to the application of the International Financial Reporting Standards and the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guidelines ("IFRS"), which is periodically revised or expanded. Accordingly, from time to time, the Group is required to adopt new or revised accounting standards issued by recognised authoritative bodies, including the International Accounting Standards Board ("IASB"). It is possible that future accounting standards which the Group is required to adopt, could change the current accounting treatment that applies to its consolidated financial statements and that such changes could have a material adverse effect on the Group's results of operations and financial condition.

On 18 May 2017, the IASB issued a new standard on requirements for the accounting of insurance contracts (IFRS 17). The new standard requires insurance liabilities to be measured in the balance sheet at current fulfilment value and includes significant new requirements for the recognition and presentation of income and profit. The implementation of IFRS 17 will have a significant impact on shareholders' equity, other comprehensive income and the presentation in the Group's consolidated financial statements. The new IFRS 17 standard is effective for reporting periods beginning on or after 1 January 2021. The new rules will affect the financial statements and key performance indicators of all entities in the Group that issue insurance contracts or investment contracts with discretionary participation features.

The Group may also choose to change the calculation methods, definitions, presentation or other elements of its reported financial metrics, or make other choices permitted under IFRS regarding the presentation of its reported results of operations and reported financial condition. Further changes in accounting standards or policies, or the Group's financial metrics, including as a result of choices made by the Group, could have a material adverse effect on the Group's reported results of operations and its reported financial condition.

IFRS 9 "Financial Instruments" was issued by the IASB in July 2014. IFRS 9 replaces most of the current IAS 39 "Financial Instruments: Recognition and Measurement", and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The classification and measurement of financial assets under IFRS 9 will depend on the Group's business model and the instrument's contractual cash flow characteristics. These may result in financial assets being recognised at amortised cost, at fair value through other comprehensive income (equity) or at fair value through profit or loss. In many instances, the classification and measurement under IFRS 9 will be similar to IAS 39, although changes in classification will occur. The classification of financial liabilities remains unchanged.

The recognition and measurement of impairments under IFRS 9 is intended to be more forward-looking than under IAS 39. The new impairment requirements will apply to all financial assets measured at amortised cost and at fair value through other comprehensive income (equity). Initially, a provision is required for expected credit losses resulting from default events that are expected within the next 12 months. In the event of a significant increase in credit risk a provision is required for expected credit losses resulting from all possible default events over the expected life of the financial assets.

The hedge accounting requirements of IFRS 9 aim to simplify hedge accounting. The Group has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9. The Group is currently assessing the impact of the new requirements. The implementation of IFRS 9 may have a significant impact on shareholders' equity and/or other comprehensive income. IFRS 9 is effective and will be implemented by the Group from 1 January 2018. As permitted by the transitional provisions of IFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amount of financial assets and financial liabilities at the date of transition will be recognised in the opening retained earnings and other reserves at 1 January 2018. The expected transitional impact has been outlined in Note A7 of the Historical Financial Information of the Old Mutual plc Group set out in Annexe 1C to this Pre-listing Statement. The Board believes that the implementation may have an impact on its dividend policy.

**2.27 *The Group utilises debt financing and if it fails to comply with its debt covenant obligations, the Group could experience adverse financial consequences that could affect its liquidity and ability to borrow funds.***

As at 31 December 2017, the Group (including, for the avoidance of doubt, Nedbank) had R69,658 million of outstanding debt, which includes 2 series of subordinated notes admitted to trading on the regulated market of the LSE. The Group's debt obligations contain covenants, including relating to maintaining a certain credit rating and the listing of the subordinated notes. Any failure by the Group to comply with a condition or covenant under its financing agreements that is not waived by its lenders or not otherwise cured by it may trigger cross-default or cross-acceleration provisions under certain of its other financing agreements and make it more difficult and expensive to obtain financing. Any failure to make payments of interest or principal on the Group's outstanding indebtedness on a timely basis may also result in a reduction of its credit ratings, which could impair its ability to incur additional indebtedness on acceptable terms. Any of the foregoing could have an adverse effect on the Group's business, results of operations, financial condition and prospects.

**2.28 *The Group operates through strategic alliances with third parties involving certain risks.***

The Group operates certain of its businesses, including Old Mutual Finance (RF) Proprietary Limited ("Old Mutual Finance") Old Mutual Finance (Namibia) Proprietary Limited and UAP, through strategic alliances in which management control is exercised in conjunction with alliance partners. The level of control exercisable by the Group depends on the terms of the contractual agreements, in particular, the allocation of control among, and continued co-operation between, the alliance parties. Therefore, the success of the Group's alliances depends not only on the Group's contributions and capabilities but also on the resources, efforts and skills contributed by its partners. These partners may not have the same goals, strategies, priorities, or resources as the Group. There is a risk of disagreement or deadlock with the Group's alliance partners and a mutually acceptable solution may not be reached within a reasonable time, or at all. The Group may face financial, reputational and other exposure (including regulatory censure) in the event that any of its partners fails to meet its obligations under the arrangements, encounters financial difficulty, or fails to comply with local or international regulation and standards such as those pertaining to the prevention of financial crime.

**2.29 *The inability of the Group to adequately insure against specific risks could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

The Group's business entails the risk of liability related to litigation from customers, shareholders, employees or third-party service providers and actions taken by regulatory agencies, which may not be adequately covered by insurance or at all. Specifically, there is a risk that claims may arise in relation to damage resulting from the Group's employees' or service providers' operational errors or negligence, or misconduct or misrepresentation by its employees, advisers and other operational personnel. There can be no assurance that a claim or claims will be covered by insurance or, if covered, that any such claim will not exceed the limits of available insurance coverage or that any insurer will meet its obligations to insure. There can also be no assurance that insurance coverage with sufficient limits will continue to be available at a reasonable cost. Renewals of insurance policies or claims under existing policies may expose the Group to additional costs through higher premiums or the assumption of higher deductibles or co-insurance liability. A significant increase in the costs of maintaining insurance cover or the costs of meeting liabilities not covered by insurance could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**2.30 *The Group could fail to effectively identify or execute strategic acquisitions, strategic alliances or investments, and if such transactions are pursued, it could fail to implement them successfully and realise anticipated benefits in a timely manner.***

From time to time, the Group evaluates opportunities relating to acquisitions, strategic alliances or investments in businesses, products, technologies or innovations which would complement its business and its growth strategy. However, the Group may not be able to identify suitable candidates for such acquisitions, strategic alliances or investments, or, if the Group does identify suitable candidates, it may not be able to value properly the transaction or complete any transaction on acceptable terms or at all. Any failure by the Group to identify suitable transactions, properly value transactions or complete transactions could harm the Group's competitive position, and its ability to maintain or increase its market share and profitability.

Furthermore, any acquisitions, strategic alliances or investments by the Group could entail risks, such as difficulties in realising cost, revenue or other anticipated benefits from the acquired entity, alliance or investment, costs of executing the acquisition, alliance or investment, both in terms of capital expenditure and increased management attention; liabilities or losses resulting from the Group's control of the acquired entity, or participation in the alliance or investment; liabilities or losses resulting from claims under guarantees, representations and warranties and/or indemnities given by the Group to its counterparties in relation to an acquisition or alliance; or difficulties in integrating an acquired business into its own business or in realising cost reductions from such integration. For example, during the first half of the 2015 financial year, the Group acquired a 60.7% interest in UAP for consideration of R2,899 million (which interest is expected to increase to 66.7% upon exercise of the put option by the minority anchor shareholders in UAP as more fully set out in "Strategic Alliances" in Annexe 11 to this Pre-listing Statement). During the 2017 and 2016 financial years, the Group recognised impairments of this

goodwill of R1,186 million and R1,273 million, respectively, partly due to poorer performance and a slower integration process than anticipated. In addition, the Group may experience difficulties in appropriately allocating capital to new acquisitions.

All or any of the foregoing could have a material adverse effect on the Group's business, results of operations and financial condition.

### 3. Legal and regulatory risks

#### 3.1 ***The Group is subject to comprehensive laws and regulations. Failure to comply with applicable laws and regulations may trigger regulatory intervention which may harm the Group's reputation, and could have a material adverse effect on the Group's licence to operate, business, results of operations and prospects.***

The Group and its regulated entities are subject to comprehensive insurance, investment management, banking, pension and other financial services related regulations as well as competition laws and regulations, and to supervision by many regulatory authorities that have broad administrative and discretionary power over the Group. The laws and regulations to which the Group is subject relate, amongst other things, to: capital adequacy requirements; liquidity requirements; permitted investments; the distribution of dividends; product and sales suitability; product distribution; payment processing; employment practices; remuneration; ethical standards; anti-terrorism measures; prohibited transactions with countries and individuals that are subject to sanctions or otherwise blacklisted; privacy and confidentiality; recordkeeping and financial reporting; price controls, tax, competition and exchange controls. Failure to comply with any laws and regulations could lead to disciplinary or remedial action, the imposition of fines and/or revocation of a licence, permission or authorisation necessary for the conduct of the Group's business or civil liability, all or any of which could have a materially adverse effect on the Group's business, results of operations and financial condition.

The laws and regulations to which the Group is subject are becoming increasingly extensive and complex and regulators are applying increased scrutiny to the Group itself, as well as the industry as a whole, placing an increasing burden on the Group's resources and expertise, and requiring implementation and monitoring measures that are costly.

Regulations to which the Group is, and may be, subject may limit the Group's activities, including through its net capital, customer protection and market conduct requirements, negatively impact the Group's ability to make autonomous decisions in relation to its businesses and limit the information to which the Group has access in relation to those businesses. Such regulations may also result in restrictions on businesses in which the Group can operate or invest, each of which may have a material adverse effect on the Group's business, results of operations and prospects. As compliance with applicable laws and regulations is time-consuming and personnel-intensive, and changes in laws and regulations have increased, and may further increase, the cost of compliance has increased and is expected to continue to increase.

As the Group holds and controls client money and safe custody assets, it must comply with several laws relating to the protection of funds such as the Financial Institutions (Protection of Funds) Act 28 of 2001. Such laws require the protection of clients' assets and money where a financial institution is responsible for them and held to ensure that client assets and money could be returned within a reasonable timeframe in the event of a financial institution's insolvency. If the Group fails to comply with such laws, the Group may be subject to regulatory action or financial penalties, which could result in adverse publicity and reputational damage and ultimately have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Despite the Group's efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, these procedures may be inadequate or otherwise ineffective, including as a result of human or other operational errors in their implementation, and the Group might fail to meet applicable standards. The Group may also fail to comply with applicable laws and regulations as a result of unclear regulations being subject to multiple interpretation or being under development, or as a result of a shift in the interpretation or application of laws and regulations by regulators. Failure to comply with any applicable laws and regulations could subject the Group to administrative penalties and other enforcement measures imposed by a particular governmental or self-regulatory authority, and could lead to unanticipated costs associated with remedying such failures. Should they materialise, each of these risks could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Under Sections 1471 through 1474 of the US Internal Revenue Code of 1986, as amended and commonly referred to as the Foreign Account Tax Compliance Act ("FATCA"), the Group is subject to the FATCA reporting regime, which may lead to a compliance risk for the Group. Some countries have entered into, and other countries are expected to enter into, intergovernmental agreements with the United States to facilitate the reporting of information required under FATCA. Intergovernmental agreements often require financial institutions in those countries to report information on their US account-holders to the taxing authorities of those countries, which will then pass the information on to the US Internal Revenue Service. Various companies in the Group are financial institutions for purposes of FATCA. While the Board believes the Group has taken all necessary steps to comply with FATCA, if the Group is deemed not to be FATCA compliant, the Group could face certain withholding penalties, which may lead to reputational damage, regulatory fines, loss of market share, financial losses and legal risk.

Under the South African Competition Act the Group and Nedbank are deemed to be part of a single economic entity for competition law purposes. Following the Nedbank Unbundling, the Group and Nedbank will no longer be deemed to form part of a single economic entity and may be in a competitive relationship. If the Group is found to have contravened competition laws it could be subject to penalties that may have a material adverse effect on its business, results of operations, financial condition and prospects.

For further information on the material regulations governing the Group and its business, please see "Part VII – Regulatory Considerations".

**3.2 *Laws, regulations and policies governing the Group have changed over time, and may continue to change in ways which have had and may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.***

Financial services laws, regulations and regulatory requirements currently affecting the Group (and the financial products that it develops or sells) may change at any time in ways that could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. It is difficult to accurately predict the timing, scope or form of future regulatory initiatives, although it is widely expected that there will continue to be a substantial amount of regulatory change and a high degree of supervisory oversight of regulated financial services firms. In addition, under certain principles-based rules and regulations, there may be different industry views about how to achieve particular outcomes. Regulators may from time to time have different views about how market participants should meet regulatory outcomes and interpretations may differ from generally accepted market practice.

In December 2013, the South African President, together with the other members of the Cabinet, approved the establishment of 2 regulators: a Prudential Authority within the SARB to supervise the safety and soundness of banks, insurance companies and other financial institutions; and the Financial Sector Conduct Authority (as defined in Annexe 18 to this Pre-listing Statement) to supervise how financial services firms conduct their business and treat customers. This followed earlier approval in July 2011 of a transition to a so-called "twin peaks" approach to financial regulation, including the role of the SARB in overseeing financial stability.

The Group cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have. Laws and regulations applied at a national level generally grant supervisory authorities broad administrative discretion over the Group's activities, including the power to limit or restrict business activities. It is possible that laws and regulations governing the Group's business or particular products and services could be adopted, amended or interpreted in a manner that is adverse to the Group. These include laws and regulations that (i) reduce or restrict the sale of the products and services offered by the Group, (ii) negatively affect the pricing, distribution or performance of these products and services, (iii) prohibit the Group from putting certain exclusions in its insurance policies or (iv) affect the Group's solvency and capital requirements. For example, proposals for a national social security fund are under discussion in South Africa at the National Economic Development and Labour Council. These discussions are at an early stage, and, therefore, the Group cannot predict the timing or impact of such a scheme on the Group's South African businesses. Changes in government policy, legislation or regulatory interpretation applying to companies in financial services industries in any of the markets in which the Group operates, which may be applied retrospectively, may adversely affect the Group's product range, distribution channels, capital requirements, results and financing requirements. For example, the Group may be unable to sell, or may decide not to sell, products or solutions in certain jurisdictions if regulations or interpretations change. In addition, the Group may face regulatory action on products or solutions, which were designed to meet legislation in force at the time of design or sale that has subsequently been amended. Over time the regulatory requirements and expectations of various stakeholders, including customers, regulators and the public at large, as well as standards and market practice, have developed and changed, increasing customer protection. As a result, policyholders and consumer protection organisations may in the future initiate proceedings against the Group alleging that products sold in the past fail to meet current requirements and expectations. In any such proceedings, it cannot be excluded that the relevant court, legislator, regulator, governmental authority or other decision-making body, will apply current norms, requirements expectations, standards and market practices, with a retroactive effect, to products sold, issued or advised on by the Group and as a result may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Regulatory reform initiatives have led and could in the future lead to increased compliance costs or other adverse consequences for firms within the financial services industry, including the Group. Recent and ongoing regulatory reform initiatives which could impact the Group include, in particular, the introduction of the "twin peaks" regime, providing for increased prudential and market conduct regulation of firms in the financial services industry. In accordance with this decision, in June 2017, the FSR Bill was passed in Parliament. On 21 August 2017, the President assented to the FSR Act which, amongst other things, implemented the so called "twin peaks" model of financial regulation in South Africa which will be enacted through the establishment of the Prudential Authority and the Financial Sector Conduct Authority. The Prudential Authority's objective is to promote and enhance the safety and soundness of financial institutions that provide financial products and securities services, promote and enhance the safety and soundness of market infrastructures, protect financial



customers against the risk that financial institutions may fail to meet their obligations, and assist in maintaining financial stability. The Financial Sector Conduct Authority's objectives are to enhance and support the efficiency and integrity of financial markets, protect financial customers, and assist in maintaining financial stability.

The twin peaks model entails a substantial reorganisation of the regulatory framework that has the potential to cause administrative and operational disruption for the regulatory authorities concerned. This disruption could impact the resources which the Prudential Authority and/or Financial Sector Conduct Authority are able to devote to the supervision of regulated financial institutions, the nature of their approach to supervision and accordingly, the ability of regulated financial institutions (including members of the Group) to deal effectively with their supervisors and to anticipate and respond appropriately to developments in regulatory policy. It is anticipated that future changes in the nature of, or policies for, prudential and conduct of business supervision will differ from the current approach taken by the Financial Services Board ("FSB") and SARB, and that this could lead to a period of some uncertainty for members of the Group. No assurance can be given that further changes will not be made to the regulatory regime in South Africa generally, the Group's particular business sectors in the market or specifically in relation to the Group. Any or all of these factors could have a material adverse effect on the conduct of the business of the Group and therefore, also on its strategy and profitability, and its ability to respond to and satisfy the supervisory requirements of the relevant South African regulatory authorities.

Increased prudential supervision will be achieved through amendments to the South African Banks Act, 94 of 1990 (as amended) ("Banks Act") to implement, Basel III, and the promulgation of the Insurance Act together with the implementation of the SAM regime. Increased market conduct regulation will be achieved through amending the South African Long-term Insurance Act, 52 of 1998 (as amended) ("LTI Act"), the South African Short-term Insurance Act, 53 of 1998 (as amended) ("STI Act") and the FAIS Act in order to implement some of the proposals made in the retail distribution review in a phased manner and the "Treating Customers Fairly" outcomes, all of which will be finally repealed and replaced by the South African Conduct of Financial Institutions Bill, which is expected to become law in 2018 and will give effect to the remaining Treating Customers Fairly outcomes and the remaining retail distribution review outcomes. For more information on these regulations, please see "Part VII – Regulatory Considerations".

From time to time, regulators may launch a review of a particular industry or product. While the Group may not be specifically targeted, these reviews could negatively impact the Group's reputation or demand for the Group's products.

**3.3 *Regulatory authorities or end-customers may bring legal action against the Group where it is alleged that advice given generally or in relation to products and services was unsuitable, or otherwise failed to meet regulatory requirements or customer expectations.***

The Group is exposed to the risk of regulatory action or claims from customers regarding unsuitable advice or misleading information from tied advisers, and increasingly from independent advisers (as the regulator increases responsibilities of the product and/or solution providers in the industry), particularly under the FAIS Act. Regulators or customers could allege that customers were recommended products or solutions that were not suitable for them, or that the terms and conditions of relevant products or solutions, or the nature of the products or solutions, or the circumstances under which the products or solutions were recommended, were misrepresented to them. In South Africa, any such issues or disputes arising in relation to end-customers may be resolved individually, via the internal or external ombudsman, by enforcement action from the Financial Sector Conduct Authority or by litigation.

Complaints may also arise if customers feel they have not been treated reasonably or fairly, or that the duty of care which they are owed has been breached. Issues may also arise if it is alleged that investment decisions did not adequately balance risk against performance, leading to inappropriate risk for customers, financial loss or reputational damage. In addition for discretionary portfolios, issues may arise in respect of allegations that decisions did not properly match investments to objectives. The Group may also receive complaints resulting from recommendations of products and services that were not or are not suitable, with the potential for customer detriment resulting in financial loss, damage to reputation or regulatory fines or censure for the Group.

The Group may be exposed, particularly in South Africa, to risks relating to "vulnerable customers", defined as someone who, due to their personal circumstances, is especially susceptible to detriment, particularly where a firm is not acting with appropriate levels of care. Customer vulnerability can apply across the full spectrum of financial services and products. Failure to identify customer vulnerability could lead to poor customer outcomes and detriment, including if the customer is unable to fully understand products and services or if information is not provided in an appropriate format for the customer needs.

Complaints, disputes, claims or other issues may also arise from time to time from the way in which insurance, banking, asset management and/or advisory services businesses have sold or administered an insurance policy, an investment policy or mandate, or other product, or in the way in which they have treated policyholders, investors or customers, either individually or collectively. The regulator may intervene directly where larger groups or matters of public interest are concerned. In the past there have been a few industry-wide financial product design matters in South Africa where the regulator has intervened directly, the latest of these was the multi-causal event matter, which sought to limit the maximum cumulative charge that could be recovered from customers who reduced the term or premium or withdrew (partially or fully) balances from contractual savings products provided by the insurer.

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

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

**3.4 The Group may fail to detect or prevent money laundering and other financial crime activities if financial crime risks are not correctly identified and if effective controls to mitigate those risks are not implemented. This could expose the Group to significant fines, additional regulatory scrutiny and reputational risk.**

The Group is required to comply with applicable anti-money laundering, anti-terrorism, sanctions, anti-fraud, anti-bribery and corruption, insider dealing and other laws and regulations in the jurisdictions in which it operates, including the South African Financial Intelligence Centre Act, 38 of 2001 (as amended) ("FICA"), the UK Bribery Act 2010 and the UK Criminal Finances Act 2017. These laws and regulations require the Group, among other things, to conduct customer due diligence regarding anti-money laundering, sanctions and politically exposed persons screening, keep customer and supplier account and transaction information up to date and implement effective financial crime policies and procedures. Where applicable, these laws restrict or prohibit transactions with certain countries and with certain companies and individuals identified on lists maintained by the US government, the European Union ("EU"), various EU Member States and other governments. With regard to its South African operations in particular, the Group will be subject to the provisions of FICA which, broadly speaking, requires so-called "accountable institutions" to implement a range of anti-money laundering measures (including the need for risk-based customer due diligence procedures) and to report so-called "suspicious and unusual transactions" as well as the provisions of the Prevention and Combating of Corrupt Activities Act, 12 of 2004, which is South Africa's principal anti-corruption statute and the Prevention of Organised Crime Act, 121 of 1998 which is designed to combat organised crime and racketeering activities, and the Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 33 of 2004 (as amended) which aims to provide measures to prevent and combat terrorist and related activities.

Financial crime has become the subject of enhanced scrutiny and supervision by regulators globally. Anti-money laundering, anti-bribery and anti-corruption, and insider dealing and economic sanctions laws and regulations are increasingly complex and detailed and have become the subject of enhanced regulatory supervision, requiring businesses to invest in improved systems, sophisticated monitoring and skilled compliance personnel. Regulatory authorities may from time to time make enquiries of companies within their respective jurisdictions regarding compliance with regulations governing the conduct of business or the operation of a regulated business (including the degree and sufficiency of supervision of the business) and the handling and treatment of customers or conduct investigations when it is alleged that regulations have been breached. Responding to such enquiries may be time-consuming and expensive.

The Financial Intelligence Centre ("FIC") Amendment Act, 1 of 2017 as amended ("FICA Amendment Act"), was signed into law on 26 April 2017 and gazetted on 2 May 2017. Significant parts of the FICA Amendment Act entered into effect on 2 October 2017 but the provisions relating to the enhanced powers of the FIC to impose sanctions are not yet operative. The FIC has indicated that sanctioning of non-compliance with the new requirements will be delayed in order to allow accountable institutions sufficient time to make the necessary adjustments to transition into the new regulatory environment (which will expose accountable institutions to increased regulatory risk) and that it will engage with accountable institutions to set clear milestones for achieving full compliance and timeframes on a priority basis and in an incremental manner. It is currently anticipated that the FIC will expect accountable institutions to be in full compliance with the FICA Amendment Act at the beginning of April 2019. These transitional arrangements increase regulatory risk for all accountable institutions in the Group.

Financial crime is continually evolving, and the expectations of regulators are increasing. This requires similarly proactive and adaptable responses from the Group so that it is able to effectively deter threats and criminality. Even known threats can never be fully eliminated, and there may in the future be instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. In addition, the Group relies on its employees, external administrators and certain other third parties to identify and report such activities. There is a risk that they will fail to do so or otherwise fail to comply with or implement the Group's policies and procedures relating to financial crime.

Where the Group is unable to comply with applicable laws, regulations and expectations, regulators and relevant law enforcement agencies have the ability and authority to impose significant fines and other penalties, including requiring a complete review of business systems, day-to-day supervision by external consultants and ultimately the revocation of regulatory authorisations and licences. In South Africa, FICA adopts a risk-based approach to anti-money laundering obligations. Accordingly, the level of customer due diligence to be conducted as well as the internal controls and policies of the Group's operations in South Africa will be dependent upon the particular financial crimes risks applicable to the Group's business operations. Such risk and probability of occurrence must be accurately determined. Similar regulatory principles in other jurisdictions apply in which the Group operates. Should the Group, and particularly Nedbank, fail to accurately identify and assess the applicable financial

crime risks, it may (i) be unable to detect the commission of financial crimes; and (ii) adopt inadequate and non-compliant internal controls and policies. The reputational damage to the Group's business and global brands could be severe if it were found to have breached anti-money laundering or sanctions requirements. The Group's financial position and reputation could also suffer if it were unable to protect customers or prevent the business from being used by criminals for illegal or improper purposes.

Although the Group has policies and procedures in place to comply with financial crime regulation, these policies and procedures may not completely prevent situations of money laundering, bribery, fraud or corruption, including actions by the Group's employees, for which the Group might be held responsible. Any such event may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**3.5 *The Group is exposed to risks in respect of meeting published B-BBEE goals for the financial services industry in South Africa, its commitments under the Framework Agreement and the merger conditions imposed by the South African Competition Tribunal. Failure to meet these transformation goals and obligations could significantly impact the Group's business and reputation and ability to write business in South Africa, while any future B-BBEE transactions to meet the published B-BBEE goals may dilute the earnings per share of Shareholders.***

Broad-based black economic empowerment ("B-BBEE") is the government's policy to address the economic inequality in South African society as a result of historical discrimination. The South African Broad-based Black Economic Empowerment Act, 53 of 2003 (as amended) ("B-BBEE Act") is the primary legislation through which this B-BBEE policy is implemented. In terms of the B-BBEE Act, B-BBEE consists of measures and initiatives that are aimed at increasing levels of equity ownership by Black People as defined in the B-BBEE Act ("Black People") in businesses operating in South Africa, increasing the numbers of Black People who participate in management roles in business, improving the skills of black employees, assisting small and medium-sized businesses that are majority-owned by Black People, and procuring goods and services from businesses that are good contributors to B-BBEE and corporate social investment. The levels of B-BBEE within participants in the financial services industry are measured in terms of the Amended Financial Services Sector Code ("Amended FSC"), which was published on 1 December 2017. The Amended FSC contains significant changes to the Financial Sector Code published in 2012, which may impact the B-BBEE ratings of various participants in the industry, including the Company.

The scorecard under the Amended FSC measures B-BBEE compliance in the following categories: ownership, management control, skills development, procurement and enterprise and supplier development, socio-economic development and consumer education, access to financial services and empowerment financing. In order to successfully compete and procure new business and maintain customers in the financial services industry, in particular in the public sector, the Group must seek to optimise its score measured in terms of the Amended FSC scorecard and implement its own B-BBEE transformation initiatives. Should the Group fail to obtain an acceptable score or maintain a rating in line with its direct competitors, it may be unable to procure new business or experience a loss of business or good standing with public and private sector customers, which, in turn, could negatively affect the Group's results of operations. Please see "Part VII – Regulatory Considerations – South Africa – Black Economic Empowerment" for further detail.

Whereas the Group previously reported its B-BBEE shareholding at the operating entity level of OMLACSA, the Company, as a South African primary listed entity, will report the Group's B-BBEE contributor status and its B-BBEE shareholding. Under the Amended FSC the Group reported, as at 31 December 2017, a Level 3 B-BBEE contributor status and a reduced B-BBEE shareholding of 21.5%. Whereas the B-BBEE shareholding may increase following the implementation of the transactions giving effect to the Managed Separation, the Group estimates that its effective B-BBEE shareholding (which will be measured for the first time as at 31 December 2018) may remain marginally below the current Amended FSC target of 25%. However, this remains subject to change and the Company will have greater clarity only once its share register settles, which is anticipated to be prior to the Nedbank Unbundling. Old Mutual Group Holdings (SA) Proprietary Limited ("OMGH"), on behalf of the Company, has entered into a framework agreement with the Economic Development Department of the South African Government dated 9 January 2018 (the "Framework Agreement") in relation to the South African aspects of the Managed Separation. Under the Framework Agreement, the Company has made certain commitments in relation to transformation (including increasing its B-BBEE ownership to at least 25% in 3 years and to be best in class when measured against comparable competitors within 5 years (measured on the Admission Date (as defined in Annexe 18 to this Pre-listing Statement)) employment and enterprise development. The South African Competition Tribunal has conditioned its approval of the acquisition of Old Mutual plc by the Company on the relevant provisions of the Framework Agreement. A breach of the merger conditions imposed by the South African Competition Tribunal may result in administrative penalties and reputational consequences, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Furthermore, the implementation of a transaction to fulfil the obligations under the Framework Agreement could result in a cost to Shareholders. For further information on the Framework Agreement, see "Part VI – Business of the Group – Transformation" and Annexe 15 to this Pre-listing Statement".

**3.6 *Failure to comply with data protection legislation or a security breach or system failure in the Group's technical or IT infrastructure could result in regulatory action, compensation claims and adverse publicity which could have a material adverse effect on the Group's business and results of operations.***

The Group stores a range of information about its customers, including customers' bank details. The use of this information is subject to numerous laws, regulations and standards designed to protect sensitive or confidential customer and employee data, including, among others, the South African Protection of Personal Information Act, 4 of 2013 (as amended) ("POPI Act"), as it comes into effect, the UK Data Protection Act of 1998 (as amended) ("Protection Act") and the UK payment card industry data security standard. The POPI Act imposes a range of obligations, including restrictions on direct marketing and on cross-border transfers of personal information and an obligation to keep personal information secure. The POPI Act empowers the information regulator to impose administrative fines of up to R10 million where a data controller such as the Group fails to comply with an enforcement notice. Non-compliance with an enforcement notice is also a criminal offence.

In addition, the EU General Data Protection Regulation entered into force on 24 May 2016 and will apply from 25 May 2018, repealing the current EU Data Protection Directive. The primary objectives of the EU General Data Protection Regulation are to give citizens of the EU back the control of their personal data and to simplify the regulatory environment for international business by unifying the regulation within the EU. Once formally adopted, the EU General Data Protection Regulation will increase data security compliance obligations and consequences, including significant fines for organisations, located within or outside of the EU.

A breach of any aspect of data protection legislation, especially a breach involving the misappropriation, loss or other unauthorised disclosure of sensitive or confidential member information, including the use of such information for direct marketing purposes, whether by the Group or 1 of its sub-contractors or service providers, could result in regulatory action, compensation claims and adverse publicity. In addition, compliance with evolving privacy and security laws, requirements and regulations may result in cost increases due to necessary systems changes, new limitations or constraints on the Group's business models and the development of new administrative processes.

SARB has issued guidance on cyber resilience to banks, branches of foreign institutions, controlling companies, eligible institutions and auditors of banks or controlling companies. Under this guidance, SARB will assess the adequacy of banks' policies, processes and practices related to cyber risk and cyber resilience, based on, amongst other things, the Committee on Payments and Market Infrastructures' and the Board of the International Organization of Securities Commissions' guidance on cyber resilience for financial market infrastructures.

**3.7 *The Group is involved in various legal and regulatory proceedings and may be involved in more in the future.***

The Group, like other financial services firms, is, and may in the future be, subject to legal proceedings, regulatory investigations and general litigation. Depending on the context, these may be initiated by regulators, customers or other third parties and arise in the normal course of its business. Due to the nature of these proceedings, it is not feasible to forecast or determine the final results of all such proceedings. It is also possible that a regulator in 1 of the jurisdictions in which the Group conducts its business may carry out a review of products previously sold or services previously supplied, whether as part of an industry-wide review, a firm-specific assessment or otherwise. It is not possible to predict the outcome of such reviews. Possible outcomes include a requirement to compensate customers for losses they have incurred as a result of the products they were sold or services they received or the initiation of regulatory enforcement action against the Group, which could result in various possible sanctions such as the imposition of a fine. This may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**3.8 *Exchange control restrictions, in South Africa in particular, could hinder the Group's ability to make foreign investments and procure foreign-denominated financing.***

The South African Exchange Control Regulations, 1961 ("Exchange Control Regulations") have historically restricted business transactions between residents of the Common Monetary Area consisting of South Africa, Namibia and the Kingdoms of Lesotho and Swaziland ("CMA"), on the one hand, and corporations and persons whose normal place of residence, domicile or registration is outside of the CMA ("non-residents"), on the other hand.

The legal framework of South African exchange control is based on the premise of a total prohibition to deal in foreign exchange, except with permission and on the conditions set out by, the National Treasury. However, because of its impact on the conduct of normal international trade and payments, the underlying economic policy is not totally prohibitive. The purpose of exchange control in this context is thus:

- to ensure the prompt repatriation into the South African banking system of certain foreign currency acquired by South African residents; and
- to prevent the loss of foreign currency resources through the transfer abroad of real or financial capital assets held in South Africa.

Thus, in essence, the broad ambit of South African exchange control regulation is to regulate the export of capital from South Africa by South African residents.

A South African resident is regarded for exchange control purposes as a person (that is a natural person or incorporated foundation, trust or partnership), whether of South African or any other nationality, who has taken up residence, or is domiciled or registered in South Africa. A non-resident is a person (that is a natural person or legal entity) whose normal place of residence, domicile or registration is outside of the CMA.

Non-residents are not directly subject to exchange controls. Non-residents may freely invest in South Africa and the local sale proceeds of non-resident owned South African assets are regarded as freely transferable from South Africa.

In particular, South African companies are generally not permitted to export capital from South Africa, hold foreign currency except subject to conditions imposed by the SARB or incur indebtedness to foreign lenders without the approval of the SARB. South African companies are also, with respect to incurring any indebtedness to foreign lenders, prohibited from paying interest on foreign loans in excess of the rate approved by the SARB in terms of prevailing policy from time to time. This limitation in respect of interest rates, unless adjusted by the SARB in line with market pricing in light of South Africa's credit rating, could impact on the ability of South African companies to raise finance abroad. South African companies are generally not permitted to acquire an interest in a foreign venture without the approval of the SARB and are subject to compliance with the investment criteria of the SARB.

Current Exchange Control Regulations regarding foreign direct investments by South African resident companies allow such companies, subject to obtaining the relevant approval from an authorised dealer (which includes most retail banks in South Africa), to make *bona fide* new direct investments into non-South African companies, branches and offices outside the CMA (even in cases where such *bona fide* investments fall outside the current line of business for such company), where the total cost of such investments does not exceed R1 billion in a calendar year, subject to certain parameters being adhered to. Foreign direct investments which exceed the R1 billion threshold may also be approved subject to the applicant obtaining approval from the SARB. In addition, the previous prohibition on transferring additional working capital funding in respect of foreign direct investments has also been withdrawn and this is now permissible subject to certain limitations.

These government measures may increase capital outflows from South Africa, which in turn could affect the Rand's position against the US dollar, the Euro and other currencies. The South African government may continue to relax or may abolish exchange controls in the future. However, if the South African government were to later tighten exchange controls, these restrictions could further hinder the Group's ability to make foreign denominated investments and procure foreign denominated financings in the future and could adversely impact the Group's business, financial condition, results of operations and prospects.

The SARB has approved the Managed Separation on condition that, *inter alia*, South Africa will remain the place of effective management and tax residency of the Company; that all intellectual property, trademarks and related aspects developed in South Africa and externalised to Old Mutual plc should be returned to South Africa; and that any acquisitions by the Company outside of South Africa will be subject to the regulations set out in the Currency and Exchanges Manual for Authorised Dealers or, where applicable, FSB and/or SARB approval. These exchange control conditions could adversely affect the Group's ability to make foreign investments or procure foreign-denominated financing.

The Group's businesses outside of South Africa are also subject to certain exchange control regulations.

**3.9 If the Group breaches or is at risk of breaching any of the regulatory capital requirements to which it is subject, the supervisory authorities may require the Group to take remedial actions, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects, and could require it to raise additional capital.**

The Group is required to maintain significant levels of capital and to comply with a number of regulatory requirements relating to its solvency and reporting bases. These requirements also apply on a single entity basis to regulated insurance and banking entities within the Group.

In 2009, the FSB undertook the task of developing a new solvency regime for the South African long-term and short-term industries, which is known as SAM. The SAM regime will become fully effective upon the implementation of the Insurance Act and will impose more stringent regulatory requirements on both long-term (also referred to as life insurers) and short-term insurers (also referred to as non-life insurers). SAM is based on the European Solvency II Directive (Directive 2009/138/EC) but is adapted to South African specific circumstances where necessary. SAM is a risk-based capital regime which includes requirements for the calculation of the regulatory balance sheet and capital requirements, systems of governance for insurance entities and groups, risk management system and the Own Risk and Solvency Assessment and public and private reporting requirements. SAM requires insurance firms and groups to identify, assess and quantify the broad range of risks facing the firm and make judgments in relation to calculation methodologies and assumptions on future experience. SAM seeks to better protect policyholders and beneficiaries and contribute to the financial stability of the South African insurance market by aligning capital requirements with the underlying risk of an insurer and providing incentives to insurers to adopt a more sophisticated risk monitoring and risk managing tools. The development of the SAM regulations continued

throughout 2017, with the treatment of the Company's indirect Nedbank holding and the agreement of a transitional period for capital being 2 of the major issues affecting the Group.

The banking business follows the Basel III approach, which is different from the SAM regulatory regime for insurers. Nedbank is subject to the capital and liquidity requirements set out in the regulations promulgated under the Banks Act, which are in line with the Basel III framework. The implementation period for several of the Basel III requirements that were incorporated into the Banks Act regulations commenced on 1 January 2013 and includes transitional arrangements which will be phased in until 1 January 2019.

The Group's regulatory positions under its regulatory solvency and capital requirements require management to make judgments, estimates and assumptions. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, there can be no assurance that 1 or more of these judgments, estimates and assumptions will not be subsequently revised as a result of new factors or circumstances emerging, which could result in the Group having insufficient capital resources and could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects. While management's assumptions are subject to the Directors' approval, regulators can challenge this approval and may come to a different view on what capital requirement consequences that may have.

The supervisory authorities could require the Group to take remedial action if the Group or any of its regulated subsidiaries breaches or is at risk of breaching any of the regulatory capital requirements, including suspending the payment of dividends. In addition, the supervisory authorities could, taking into account economic conditions and the specific risk profile of the business, decide to increase the regulatory capital requirements of the Group or any of its regulated subsidiaries. The Group could, for example, be required to work closely with the authorities to protect policyholders' interests and to restore the Group's or the individual subsidiary's capital and solvency positions to acceptable levels, to ensure that the financial resources necessary to meet obligations to policyholders are maintained. In taking any such remedial action, the interests of the policyholder would take precedence over those of shareholders.

If the Group is unable to meet its regulatory requirements or manage its target capital position by redeploying existing available capital, it would need to consider taking other measures, the effects of which could have a material adverse effect on the Group's business, results of operations and financial condition. If the regulatory requirements are still not met (because the Group could not take appropriate measures or because the measures were not sufficiently effective) the Group could lose some or all of its licences and hence be forced to cease some or all of its business operations.

**3.10 *Changes in interpretation of tax laws, changes to tax rates or the introduction of new tax legislation could impact demand for the Group's products, or otherwise have a material adverse effect on the Group's business, results of operations, financial condition or prospects.***

The Group is subject to various taxes both directly and indirectly in numerous jurisdictions. Adverse changes in taxation laws (including changes to rates of taxation) and adverse changes in the interpretation and application of existing taxation laws by courts or taxation authorities in any of the jurisdictions in which the Group operates could increase the Group's tax rate, thereby impacting its earnings, or could impact demand for the Group's products, which could in turn have a material adverse effect on the Group's business, results of operations and prospects. For the 2017 financial year, the Group's effective corporate tax rate was 43%, compared to 47% and 44% in the 2016 and 2015 financial years.

Changes in taxation legislation and policy, either as a result of a change in government or otherwise, could affect investor sentiment, making investment generally, and specific types of investment products or solutions in particular, either more or less appealing. For example, the Group may be adversely affected by an increase in rates of capital gains tax ("CGT"), an increase in tax rates on cross-border products or a reduction in disposable income as a result of an increase in income tax or the introduction of wealth taxes. In April 2017, the Davis Tax Committee, a government committee to assess South Africa's tax policy framework and its role in supporting objectives of inclusive growth, employment, development and fiscal sustainability, issued a media statement calling for written submissions on the introduction of a possible wealth tax in South Africa. This proposal came 2 months after an increase in the top income tax bracket for individuals by 4% to 45%, resulting in an effective CGT rate for individuals of 18%. This followed an increase in the CGT rate by nearly 5% from 13.32% in 2014 to the current 18% in 2017.

The Group cannot predict the impact of future adverse changes in tax legislation on the tax efficiency and attractiveness of its products and services or its business generally. Amendments to existing legislation (particularly if there is a withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules in South Africa or other jurisdictions where the Group operates may have an impact on the investment decisions of either existing or potential customers or the advice provided to customers. Changes from time to time in the interpretation of existing tax laws, amendments to existing tax rates or the introduction of new tax legislation could significantly change saving and investment patterns, which could have a material adverse effect on the Group's business, results of operations and prospects.

#### 4. Risks to the Group related to the Proposals to Finalise the Managed Separation

##### 4.1 ***Some or all of the anticipated benefits of the Managed Separation may not be realised.***

There can be no guarantee that the anticipated benefits of the Managed Separation will materialise in full or in part or in a timely manner. There can also be no guarantee that disadvantages for the Group will not emerge as a result of the Managed Separation. For example, the conglomerate discount that the Old Mutual plc Board seeks to unlock through implementation of Managed Separation may not be as significant as expected or may not materialise at all, anticipated central cost savings may be partially or fully off-set by greater than expected costs incurred within the business, the costs of finalising the Managed Separation may be greater than anticipated and future regulatory change may diminish the anticipated regulatory benefits of the Managed Separation. If the benefits of the Managed Separation are not realised as expected and/or the Group incurs significant costs in realising them, this could have a material adverse impact on its results of operations. These anticipated benefits are described elsewhere in this Pre-listing Statement. Please see "Part VI – Business of the Group – Strategy".

##### 4.2 ***The Nedbank Unbundling may not occur or may not complete on the anticipated timetable, which may have an adverse impact on the market price of the Ordinary Shares or shares in Nedbank.***

If the conditions to the Nedbank Unbundling are not met (or, where any condition is capable of waiver, the condition is not waived), the Nedbank Unbundling will not occur and Shareholders will not receive shares in Nedbank. In addition, while the Group intends to effect the Nedbank Unbundling in accordance with the Company MOI, there can be no assurance that the Nedbank Unbundling will occur within the expected timeframe of approximately 6 months after the Admissions or by the first anniversary of the Admissions as required by the Company MOI. Completion of the Nedbank Unbundling is subject to certain conditions set out in the Scheme Circular.

If the Nedbank Unbundling does not occur in part or at all or is delayed, then the Group may experience a delay in the execution of its strategic objectives, and may be unable to realise all of the benefits for Shareholders that the Old Mutual plc Board believes will result from the Managed Separation as a whole. This may also impact the market price of the Ordinary Shares and/or the market price of the Nedbank shares, and the market price of the Ordinary Shares and/or the Nedbank shares may fall.

##### 4.3 ***Some Shareholders may not wish (or may not be permitted) to hold Ordinary Shares and shares in Nedbank, which may impact the trading price of the Ordinary Shares and shares in Nedbank.***

Following the Managed Separation, some Shareholders may not wish to hold Ordinary Shares and shares in Nedbank (or may not be permitted to do so under the terms of their investment mandates), including because Ordinary Shares and shares in Nedbank will not qualify for inclusion in certain of the Financial Times Stock Exchange indices. Resulting sales of shares arising from such circumstances could create short-term selling pressure on the Ordinary Shares and the shares in Nedbank. This may impact the market price of the Ordinary Shares and/or shares in Nedbank, and the market price of the Ordinary Shares and/or shares in Nedbank may fall.

##### 4.4 ***The Company has no history operating as an independent public company.***

The Group has historically used Old Mutual plc's corporate infrastructure to support some of its financial reporting and governance functions. The expenses related to establishing and maintaining this infrastructure have historically been spread among all of Old Mutual plc's businesses. Old Mutual plc provided certain purchasing, corporate communications, human resources and benefit management, treasury and finance, investor relations, corporate controller, internal audit, legal and tax advice, compliance regarding internal controls and IT functions to the Group.

As part of the Managed Separation, the Old Mutual plc Group has transitioned certain functions and processes to the Group and the Group has developed and restructured its own functions and processes, in a range of areas, including making its IT infrastructure, finance and risk management systems independent, enhancing or streamlining certain of its back office processes, separating accounting and financial reporting processes and systems, separating knowledge and education management systems, separating human resource and responsible business processes as well as introducing shareholder services and investor relations platforms.

Although tested, there is a possibility that these functions and processes may not operate as intended or the execution of the separation process and the creation of new processes may not have been properly completed. Consequently, there is a risk that the Group could suffer operational difficulties which, either directly or as a result of the need for further financial investment or through the depletion of management resources in developing, monitoring and/or rectifying these new services and functions, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

##### 4.5 ***The Nedbank Unbundling may impact the trading price of the Ordinary Shares and/or the ordinary shares in the capital of Nedbank.***

The Nedbank Unbundling may impact the trading price of the Ordinary Shares and/or ordinary shares in the capital of Nedbank. If substantial numbers of Ordinary Shares and/or Nedbank ordinary shares are sold, whether in anticipation of or as a result of the Nedbank Unbundling or otherwise or there is a perception that these sales might occur, the market price of the Ordinary Shares and/or Nedbank ordinary shares may fall.

## 5. Risks related to the Ordinary Shares

### 5.1 *The absence of an existing market for the Ordinary Shares may limit their liquidity.*

There is currently no active market for the Ordinary Shares. Although the Ordinary Shares are expected to be listed and subsequently trade on the exchanges operated by the JSE, LSE, Zimbabwe Stock Exchange, Namibian Stock Exchange and Malawi Stock Exchange, there is no guarantee that an active trading market for the Ordinary Shares will develop and continue after the listing of the Ordinary Shares. If no active trading in the Ordinary Shares develops or continues after the listing of the Ordinary Shares, this could have a material adverse effect on the liquidity and the market price of the Ordinary Shares.

### 5.2 *The market price of the Ordinary Shares may prove to be volatile and is subject to fluctuations, including significant decreases.*

The market price of the Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors, some of which do not relate to the Group's financial performance, including changes in general market conditions, the general performance of the exchange operated by the JSE, LSE, Malawi Stock Exchange, Namibian Stock Exchange and Zimbabwe Stock Exchange, changes in sentiment in the market regarding the Ordinary Shares (or securities similar to them), potential or actual sales of Ordinary Shares in the market by any Shareholder either voluntarily or in forced transactions as a result of restrictions on the types of securities they can hold in their portfolios, regulatory changes affecting the Group's operations, variations in the Group's operating results, business developments for the Group or its competitors, the operating and share price performance of other companies in the industries and markets in which the Group operates, exchange rate fluctuations, perceptions of economic and political risk or speculation about the Group's business in the press, media or the investment community. The price and liquidity of the Ordinary Shares may also vary between the exchanges on which they are listed. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events or others could result in a decline in the market price of the Ordinary Shares.

### 5.3 *The Company may not be able to declare and make dividend payments now and in the future.*

The Company's ability to pay dividends on the Ordinary Shares is dependent upon the availability of distributable reserves and upon the receipt by it of dividends and other distributions from its subsidiaries. The Group's subsidiaries' distributable reserves and the dividends they may declare may be restricted to protect the security of those subsidiaries, as applicable legislation does not allow for the payment of dividends unless solvency and liquidity requirements are met.

The payment of dividends by subsidiaries is, in turn, subject to restrictions, including regulatory approval, the existence of sufficient distributable reserves and cash in those subsidiaries as well as certain restrictions in the Company's debt financing arrangements. These restrictions could limit or prohibit the payment of dividends to the Company by its subsidiaries, which could restrict the Company's ability to pay dividends to Shareholders.

Additionally, the payment of special dividends or dividends *in specie* by the Company to Shareholders who are not South African residents requires the consent of the SARB's Financial Surveillance Department. The withholding of consent by the SARB could limit or prohibit the Company's ability to pay special dividends or dividends *in specie*.

### 5.4 *Future sales or new issuances of substantial amounts of Ordinary Shares in connection with any B-BBEE transactions, share incentive or option plans, acquisitions or otherwise, or the perception that such sales or issues could occur, could adversely affect the market value of the Ordinary Shares.*

Other than the proposed issue of Ordinary Shares under the Managed Separation, the Company has no current plan to conduct an offering of its Ordinary Shares. However, it is possible that the Company may decide to issue additional Ordinary Shares in the future in connection with the commitments in terms of the Framework Agreement, share incentive or option plans, acquisitions or otherwise, and, if Shareholders did not take up any offer or were not eligible to participate, their proportionate ownership and voting interests in the Company would be reduced. A future equity issue, or significant sale of Ordinary Shares by major Shareholders, could have a material adverse effect on the market price of the Ordinary Shares as a whole.

### 5.5 *Differences in exchange rates may have a material adverse effect on the value of shareholdings or dividends paid.*

The Ordinary Shares will be denominated in Rand and Pound Sterling only, and any dividends will be declared in Rand. The Board may, in its discretion and on such terms and conditions as it may determine, authorise the payment of any distribution (as defined in the Company MOI) to a non-resident Shareholder in any foreign currency requested by the non-resident Shareholder. Shareholders in Namibia, Malawi and Zimbabwe may receive dividends in their local currency via Dividend Access Trusts (as defined in Annexe 18 to this Pre-listing Statement) set up in each country to facilitate the flow of dividends. For further details on dividends and the Company's dividend policy, please see "Part XIV – Dividends and Dividend Policy". Please refer to Annexe 14 to this Pre-listing Statement for an extract of the provisions of the Company MOI dealing with the Dividend Access



Trust arrangements. As a result, Shareholders outside South Africa may experience material adverse effects on the value of their shareholdings and their dividends, when converted into other currencies if the Rand depreciates against the relevant currency.

**5.6 *Investors in foreign jurisdictions may have difficulty bringing actions, and enforcing judgments, against the Group, its Directors and its executive officers based on the laws of other jurisdictions outside South Africa.***

The Company is incorporated in South Africa. A majority of the assets of the Company's Directors and executive officers, and a significant portion of the assets of the Group, are located in South Africa. As a result, it may be difficult for investors to enforce against these persons or the Company a judgment obtained in a foreign court predicated upon the laws of jurisdictions outside South Africa. Investors in other jurisdictions outside South Africa may face similar difficulties.

Investors should be aware that it is the policy of South African courts to award compensation for the loss or damage actually sustained by the person to whom the compensation is awarded. Although the award of punitive damages is generally unknown to the South African legal system, it does not mean that such awards are necessarily contrary to public policy. However, the Protection Act may bar the award of punitive damages in transactions subject to the Protection Act.

South African courts cannot enter into the merits of a foreign judgment and cannot act as a court of appeal or review over the foreign court. South African courts will usually implement their own procedural laws and, where an action based on an international contract is brought before a South African court, the capacity of the parties to the contract will usually be determined in accordance with South African law. It is doubtful whether an original action based on the laws of jurisdictions outside South Africa may be brought before South African courts. Further, a plaintiff who is not resident in South Africa may be required to provide security for costs in the event of proceedings being initiated in South Africa. In addition, the Rules of the High Court of South Africa require that documents executed outside South Africa must be authenticated for the purpose of use in South Africa.

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## PART III

### CORPORATE INFORMATION

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#### **Directors**

##### ***Independent non-executive Directors***

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

##### ***Non-executive Directors***

De Beyer, Peter Gerard  
Naidoo, Vassi  
Rapiya, Bahleli Marshall

##### ***Executive Directors***

Moyo, Mthandazo Peter (CEO)  
Troskie, Casparus Gerhardus (CFO)  
Johnson, Ingrid Gail (Executive Director)

##### ***Company Secretary***

Kirsten, Elsabé Margaretha  
(BA, LLB, BCompt, FCIS)  
Mutualpark, Jan Smuts Drive  
Pinelands, Cape Town, 7405  
(PO Box 66, Cape Town, 8000)  
South Africa

##### ***Registered office***

Old Mutual Limited (formerly, Old Mutual Proprietary Limited and K2017235138 (South Africa) Proprietary Limited)  
(Registration number: 2017/235138/06)  
Mutualpark, Jan Smuts Drive  
Pinelands  
Cape Town, 7405  
(021) 509 4534  
South Africa  
Registered and incorporated on 29 May 2017 as a private company and converted to a public company in South Africa on 6 March 2018

##### ***Joint Financial Adviser***

Merrill Lynch International  
(Registration number: 02312079)  
2 King Edward St  
London EC1A 1HQ  
United Kingdom

##### ***Joint Financial Adviser***

Rothschild (South Africa) Proprietary Limited  
(Registration number: 2006/036209/07)  
Oxford Corner  
32A Jellicoe Avenue  
Rosebank  
Johannesburg, 2196  
(PO Box 411332, Craighall, 2014)  
South Africa

**JSE Sponsor**

Merrill Lynch South Africa Proprietary Limited  
("Merrill Lynch South Africa")  
(Registration number: 1995/001805/07)  
1 Sandton Drive  
Sandton  
Johannesburg, 2196  
(PO Box 651987, Benmore, 2010)  
South Africa

**Namibian Stock Exchange Sponsor**

PSG Wealth Management (Namibia) Proprietary Limited  
(Registration number: 95/528)  
5 Conradie Street  
Windhoek  
(PO Box 2401, Windhoek)  
Namibia

**South African legal adviser to the Company**

Webber Wentzel  
90 Rivonia Road  
Sandton  
Johannesburg, 2196  
(PO Box 61771, Marshalltown, 2107)  
South Africa

**Malawian legal adviser to the Company**

Savjani & Co  
(Registration number: 3970)  
Ground Floor  
Hannover House  
Hannover Avenue  
Blantyre  
(PO Box 2790, Blantyre)  
Malawi

**Malawi Stock Exchange Sponsor**

Stockbrokers Malawi Limited  
(Registration number: 3918)  
Corner of Hannover Avenue and Henderson Street  
Blantyre  
(PO Box 31180, BT3, Blantyre)  
Malawi

**Zimbabwe Stock Exchange Sponsor**

Imara Edwards Securities (Private) Limited  
(Registration number: 2363/96)  
Samora Machel Avenue  
Eastlea  
Harare  
(PO Box 1475, Harare)  
Zimbabwe

**International legal adviser to the Company**

Linklaters LLP  
(Registration number: OC326345)  
One Silk Street  
London EC2Y 8HQ  
United Kingdom

**Namibian legal adviser to the Company**

Engling, Stritter and Partners  
12 Love Street  
Windhoek  
(PO Box 43, Windhoek)  
Namibia

**Zimbabwean legal adviser to the Company**

Dube, Manikai & Hwacha Legal Practitioners  
6th Floor, Goldbridge  
Eastgate Complex  
Sam Nujoma Street/Robert Mugabe Road  
Harare  
(PO Box 10400, Harare)  
Zimbabwe

**South African legal adviser to Merrill Lynch**

Herbert Smith Freehills South Africa Inc.  
(Registration number: 2015/403588/21)  
Rosebank Towers, 4th Floor  
15 Biermann Avenue  
Rosebank  
Johannesburg, 2196  
(PO Box 785553, Sandton, 2146)  
South Africa

**International legal adviser to Merrill Lynch**

Herbert Smith Freehills LLP  
(Registration number: OC310989)  
Exchange House, Primrose Street  
London EC2A 2EG  
(DX 28 London)  
United Kingdom

**Auditor and independent reporting accountant  
for JSE-purposes in relation to this Pre-listing Statement**

KPMG Inc.  
(Registration number: 1999/021543/21)  
85 Empire Road, Parktown  
Johannesburg, 2196  
(Private Bag 9, Parkview, 2122)  
South Africa  
  
KPMG Inc. is registered to perform audit work in South Africa  
by the Independent Regulatory Board for Auditors ("IRBA")

**Independent reporting accountant  
for PD Regulation-purposes**

KPMG LLP  
(Registration number: OC301540)  
15 Canada Square  
London E14 5GL  
United Kingdom

**Malawian Registrar**

National Bank of Malawi  
(Registration number: 1428)  
NBM Towers  
7 Henderson Street  
(PO Box 945, Blantyre, Malawi)  
Malawi

**Namibian Registrar**

Transfer Secretaries Proprietary Limited  
(Registration number: 93/713)  
4 Robert Mugabe Avenue, Windhoek  
(PO Box 2401, Windhoek, Namibia)  
Namibia

**South African Registrar**

Link Market Services South Africa Proprietary Limited  
(Registration number: 2000/007239/07)  
13th Floor  
19 Ameshoff Street  
Braamfontein, 2001  
(PO Box 4844, Johannesburg, 2000)  
South Africa

**UK Registrar**

Equiniti Limited  
(Company number: 6226088)  
Aspect House  
Spencer Road  
Lancing  
West Sussex, BN99 6DA  
United Kingdom

**South African commercial bankers**

Nedbank Limited  
(Registration number: 1951/000009/06)  
135 Rivonia Road  
Sandown  
Sandton, 2196  
(PO Box 1144, Johannesburg, 2000)  
South Africa

**Zimbabwean Registrar**

Corpserve Share Transfer Secretaries (Private) Limited  
(Registration number: 9988/97)  
2nd Floor, ZB Centre  
Corner of First Street and Kwame Nkrumah Avenue  
Harare  
Zimbabwe

**Communications adviser**

Brunswick (South Africa) Limited  
(Registration number: 1995/011507/10)  
23 Fricker Road  
Illovo Boulevard  
Illovo, 2196  
(PO Box 2603, Saxonwold, 2132)  
South Africa

## PART IV

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

*The definitions and interpretations contained in Annexe 18 to this Pre-listing Statement and, where words and expressions are not defined in this Pre-listing Statement, Part XVII of the Scheme Circular, respectively apply to this Part IV – Expected Timetable of Principal Events, except where otherwise indicated.*

An explanation of the principal events and action to be taken in relation to the Managed Separation can be found in the Scheme Circular.

**The following indicative timetable sets out expected dates for the implementation of the Schemes. All references to times are to London time unless otherwise stated.**

Event	Time and/or date
<b>Publication of this document</b>	Friday, 20 April 2018
<b>Latest time and date for receipt of blue Proxy Forms for the First Court Meeting</b>	<b>10.30 a.m. (UK time)/11.30 a.m. (SAST) on Wednesday, 23 May 2018</b>
Latest time and date for lodging an electronic proxy form for the First Court Meeting by way of CREST Proxy Instruction or online at <a href="http://www.sharevote.co.uk">www.sharevote.co.uk</a> or online at <a href="http://www.oldmutualplc.com/vote">www.oldmutualplc.com/vote</a>	10.30 a.m. (UK time)/11.30 a.m. (SAST) on Wednesday, 23 May 2018
<b>Latest time and date for receipt of green Proxy Forms for the Second Court Meeting</b>	<b>10.45 a.m. (UK time)/11.45 a.m. (SAST) on Thursday, 23 May 2018</b>
Latest time and date for lodging an electronic proxy form for the Second Court Meeting by way of CREST Proxy Instruction or online at <a href="http://www.sharevote.co.uk">www.sharevote.co.uk</a> or online at <a href="http://www.oldmutualplc.com/vote">www.oldmutualplc.com/vote</a>	10.45 a.m. (UK time)/11.45 a.m. (SAST) on Thursday, 23 May 2018
<b>Latest time and date for receipt of white Proxy Forms for the General Meeting</b>	<b>11.00 a.m. (UK time)/12.00 p.m. (SAST) on Wednesday, 23 May 2018</b>
Latest time and date for lodging an electronic proxy form for the General Meeting by way of CREST Proxy Instruction or online at <a href="http://www.sharevote.co.uk">www.sharevote.co.uk</a> or online at <a href="http://www.oldmutualplc.com/vote">www.oldmutualplc.com/vote</a>	11.00 a.m. (UK time)/12.00 p.m. (SAST) on Wednesday, 23 May 2018
Voting Record Time in respect of the Court Meetings and General Meeting	6.00 p.m. (UK time)/7.00 p.m. (SAST) on Wednesday, 23 May 2018
<b>First Court Meeting</b>	<b>10.30 a.m. (UK time)/11.30 a.m. (SAST) on Friday, 25 May 2018</b>
<b>Second Court Meeting</b>	<b>10.45 a.m. (UK time)/11.45 a.m. (SAST) on Friday, 25 May 2018</b>
<b>General Meeting</b>	<b>11.00 a.m. (UK time)/12.00 p.m. (SAST) on Friday, 25 May 2018</b>
Last day for transfers between the Old Mutual plc UK Register, the Old Mutual plc SA Register, the Old Mutual plc Zimbabwean Register and the Old Mutual plc Malawian Register	Tuesday, 19 June 2018
Last day for receipt of forms in respect of the Free Share Dealing Service	Wednesday, 20 June 2018
First Scheme Court Hearing to sanction the First Scheme	Wednesday, 20 June 2018
Last day to trade in Old Mutual plc Shares on the Old Mutual plc UK Only Register	Friday, 22 June 2018

<b>Event</b>	<b>Time and/or date</b>
Disablement in CREST of Old Mutual plc Shares	6.00 p.m. (UK time)/7.00 p.m. (SAST) on Friday, 22 June 2018
First Scheme and Demerger Record Time	6.30 p.m. (UK time)/7.30 p.m. (SAST) on Friday, 22 June 2018
First Scheme Effective Time	7.00 p.m. (UK time)/8.00 p.m. (SAST) on Friday, 22 June 2018
Demerger Effective Time	6.00 a.m. (UK time)/7.00 a.m. (SAST) on Monday, 25 June 2018
Suspension of Old Mutual plc Shares from the UK Official List and from trading on the LSE's main market for listed securities	7.30 a.m. (UK time)/8.30 a.m. (SAST) on Monday, 25 June 2018
<b>Admission of the Quilter plc Shares to the LSE and JSE and commencement of unconditional dealings in Quilter plc Shares on the LSE and JSE</b>	<b>8.00 a.m. (UK time)/9.00 a.m. (SAST) on Monday, 25 June 2018</b>
Crediting of Quilter plc Shares soon after to CREST accounts	As soon as possible after 8.00 a.m. (UK time)/9.00 a.m. (SAST) on Monday, 25 June 2018
Second Scheme Court Hearing to sanction the Second Scheme	Monday, 25 June 2018
Second Scheme Record Time	6.00 p.m. on Monday, 25 June 2018
Second Scheme Effective Time	6.30 p.m. on Monday, 25 June 2018
<b>Admission of the Ordinary Shares to the LSE, and commencement of unconditional dealings in Ordinary Shares on the LSE</b>	<b>8.00a.m. (UK time)/9.00 a.m. (SAST) on Tuesday, 26 June 2018</b>
Issue of new Ordinary Shares and, for those with CREST accounts, crediting of the Company DIs soon after to CREST accounts	As soon as possible after 8.00 a.m. (UK time)/9.00 a.m. (SAST) on Tuesday, 26 June 2018
<b>Delisting of Old Mutual plc Shares from the UK Official List and from trading on the LSE's main market for listed securities</b>	<b>8.00.a.m. (UK time)/9.00a.m. (SAST) on Tuesday, 26 June 2018</b>
Despatch of share certificates for Ordinary Shares	by Friday, 6 July 2018
Despatch of share certificates for Quilter plc Shares	by Friday, 6 July 2018

Additional principal events for South African Shareholders, Zimbabwean Shareholders, Namibian Shareholders and Malawian Shareholders<sup>1</sup>

<b>Event</b>	<b>Time and/or date</b>
<b>Latest time and date for receipt of blue Voting Instruction Forms for the First Court Meeting</b>	<b>10.30 a.m. (UK time)/11.30 a.m. (SAST) on Tuesday, 22 May 2018</b>
<b>Latest time and date for receipt of green Voting Instruction Forms for the Second Court Meeting</b>	<b>10.45 a.m. (UK time)/11.45 a.m. (SAST) on Tuesday, 22 May 2018</b>
<b>Latest time and date for receipt of white Voting Instruction Forms for the General Meeting</b>	<b>11.00 a.m. (UK time)/12.00 p.m. (SAST) on Tuesday, 22 May 2018</b>
Last day to trade in Old Mutual plc Shares on the Old Mutual plc Malawian Register	Thursday, 14 June 2018
Last day for transfers between the Old Mutual plc UK Register, the Old Mutual plc SA Register, the Old Mutual plc Zimbabwean Register and the Old Mutual plc Malawian Register	Tuesday, 19 June 2018
Last day to trade in Old Mutual plc Shares on the Old Mutual plc SA Register, the Old Mutual plc Namibian Register and the Old Mutual plc Zimbabwean Register	Friday, 22 June 2018
Suspension of Old Mutual plc Shares on the JSE, the Namibian Stock Exchange, the Zimbabwe Stock Exchange and the Malawi Stock Exchange at commencement of business in Johannesburg, Namibia, Zimbabwe and Malawi respectively	Monday, 25 June 2018
<b>Admission of the Quilter plc Shares to the JSE and commencement of unconditional dealings in Quilter plc Shares on the JSE</b>	<b>8.00 a.m. (UK time)/9.00 a.m. (SAST) on Monday, 25 June 2018</b>
<b>Admission of the Company to the JSE, the Namibian Stock Exchange, the Zimbabwe Stock Exchange and the Malawi Stock Exchange and commencement of unconditional dealings in Ordinary Shares on the JSE, the Namibian Stock Exchange, the Zimbabwe Stock Exchange and the Malawi Stock Exchange</b>	<b>8.00 a.m. (UK time)/9.00 a.m. (SAST) on Tuesday, 26 June 2018</b>
<b>Record date for JSE and ZSE settlement purposes</b>	<b>Wednesday, 27 June 2018</b>
Crediting of Quilter plc Shares to accounts in Strate	Thursday, 28 June 2018
Crediting of Ordinary Shares to accounts in Strate and the Zimbabwean CSD	Thursday, 28 June 2018
<b>Delisting of Old Mutual plc Shares on the JSE, the Namibian Stock Exchange, the Zimbabwe Stock Exchange and the Malawi Stock Exchange</b>	<b>Friday, 29 June 2018</b>
Despatch of share certificates for Ordinary Shares	Expected to be Thursday, 28 June 2018, but by no later than Friday, 6 July 2018
Despatch of share certificates for Quilter plc Shares	Expected to be Thursday, 28 June 2018, but by no later than Friday, 6 July 2018

*The expected dates and times listed above may be subject to change.*

The First Court Meeting, the Second Court Meeting and the General Meeting (as defined in Annexe 18 to this Pre-listing Statement) will be held in the Presentation Suite, 2nd Floor, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG at 10.30 a.m. (UK time)/11.30 a.m. (SAST), 10.45 a.m. (UK time)/11.45 a.m. (SAST)<sup>2</sup> and 11.00 a.m. (UK time)/12.00 p.m. (SAST)<sup>3</sup>, respectively on Friday, 25 May 2018.

<sup>1</sup> The expected timetable of principal events has been approved by the JSE, the Namibian Stock Exchange, the Zimbabwe Stock Exchange and the Malawi Stock Exchange.

<sup>2</sup> Second Court Meeting to commence at 10.45 a.m./11.45 a.m (SAST) or, if later, immediately after the conclusion or adjournment of the First Court Meeting.

<sup>3</sup> General Meeting to commence at 11.00 a.m. (UK time)/12.00 p.m. (SAST) or, if later, immediately after the conclusion or adjournment of the Second Court Meeting.



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## PART V

### INDUSTRY OVERVIEW

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#### 1. South Africa

##### 1.1 Macro-economic Environment

Since the financial crises in the late 2000s, South Africa has recorded subdued economic growth which has steadily slowed, reaching 1.3% during 2015 and 0.3% during 2016 as a result of drought, commodity price pressure and political uncertainty which has led to low business and consumer confidence levels.<sup>1</sup> Notwithstanding slower growth in 2015 and 2016, South Africa's economic growth recovered in 2017, registering 1.3% growth which exceeded National Treasury's expected growth of 1%. This was supported by a recovery in the agricultural sector as the drought eased in certain regions and also by an increase in mining output.<sup>2</sup> The IMF forecasts real economic growth at 0.9% in 2018 and 0.9% for 2019.<sup>3</sup>

Inflation and interest rates in South Africa are comparable to those in other emerging markets, but higher than economies in North America and Western Europe. South Africa has an inflation targeting regime, with a target band of between 3% and 6%. Major drivers of South African inflation include Rand volatility and negotiated wage settlements, especially in the public sector. In 2017, inflation fell within the target band at 5.4% having declined from a 7-year high of 6.3% in 2016.<sup>4</sup>

The Rand is an actively traded currency and is highly sensitive to emerging market sentiment in addition to domestic factors. The Rand experienced volatility during 2016 and 2017 due to the country's foreign sovereign rating being downgraded to sub-investment grade, amid wider political uncertainty. Large cumulative equity and bond flows, influenced by both local and global considerations, also drive Rand volatility.

Political uncertainty and perceptions of weakening governance have been major themes over the last 3 to 5 years, and has been reflected in financial market activity. In 2017, South Africa's sovereign credit rating was downgraded following continued socio-political uncertainty ahead of the 54th National Conference of the ruling ANC. At the ANC National Conference in December 2017 then Deputy President of the ANC and South Africa, Cyril Ramaphosa, was elected president of the ANC. His election to ANC president was positively received with South African equity, bond and currency markets significantly boosted by his reform and anti-corruption campaign alongside general consumer and business confidence. Following this, the resignation of President Jacob Zuma on 14 February 2018 resulted in Cyril Ramaphosa becoming president of South Africa. His appointment provided further momentum to the market rally and positive sentiment.

##### 1.2 Consumer and Demographic Trends

Population growth in South Africa is expected to be modest during 2018<sup>5</sup> at 1.6%, taking the population to an estimated 58.6 million by 2019.

The Living Standards Measure ("LSM") is a widely followed statistical view of the South African population by measuring living standards by, *inter alia*, considering whether households are in possession of a flush toilet, what vehicle type is used in households and whether any financial services are made use of, including both insurance and banking products. Over the last reported 5 year period (2011 to 2015), the population size in the LSM 1 – 3 had a compound annual growth rate ("CAGR") of -6.5%, whilst the LSM 4 – 7 and the LSM 8 – 10 have had CAGRs of 4.3% and 4.4%, respectively.<sup>6</sup>

While some of the migration out of the LSM 1 – 3 bracket can be attributed to the provision of free basic services by the Government of South Africa and the extension of the social grant system, this is nevertheless evidence of a growing middle class, which consumes higher value products. This trend is specifically noticeable among black South Africans. The migration from the LSM 1 – 3 bracket has also been supported by prolonged growth in the public sector wage bill, through both above-inflation wage increases and increasing employee numbers, now totalling approximately 2.6 million individuals. Over the last reported 5-year period from 2011/2012 to 2015/2016, the public sector total wages grew by 9.4% per annum whereas the economy grew at an average nominal rate of 7.4%.<sup>7</sup> The National Treasury forecasts the public sector wage bill to grow at an average annual rate of 7.3% to 2019.<sup>8</sup>

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<sup>1</sup> IMF

<sup>2</sup> <http://www.statssa.gov.za>.

<sup>3</sup> IMF.

<sup>4</sup> IMF.

<sup>5</sup> IMF.

<sup>6</sup> SAARF.

<sup>7</sup> StatsSA, Financial Statistics of National Government; SARB.

<sup>8</sup> National Treasury Medium Term Budget Framework.

Despite the positive LSM migration trends, South African consumers are highly indebted and a weak economic environment in recent years has put pressure on disposable income. As at September 2017, there were 25.1 million credit active consumers, with 9.9 million consumers having impaired credit records. This compares to figures of 24.3 million and 9.8 million in December 2016. Collectively, consumer debt stood at R1.7 trillion as at September 2017.<sup>9</sup> Further to this, the current level of economic growth is insufficient to have an impact on widespread unemployment and longstanding inequalities. Given the level of job creation as well as the rapidly rising working-age population, the IMF predicts that the unemployment rate is set to further increase.

### 1.3 Life Insurance Industry

#### Overview

South Africa's life insurance industry is well-established and is the largest life insurance market in sub-Saharan Africa. Life insurance accounts for approximately 80% of South Africa's total insurance gross written premiums ("GWP").<sup>10</sup> In 2016, the life insurance market in South Africa reported R446 billion GWP, of which R256 billion or 57% was attributable to retail premiums, and R189 billion was attributable to group premiums.<sup>11</sup>

#### South Africa life insurance gross premium<sup>12</sup>

	2014	2015	2016	2017 LTM H1	CAGR 2014 – 2016
	<i>(R billion)</i>				
Individual premiums	211	237	256	251	+ 10.1%
Group premiums	168	199	189	225	+ 6.1%
<b>Total GWP</b>	<b>379</b>	<b>436</b>	<b>445</b>	<b>476</b>	<b>+ 8.4%</b>

There are 4 broad categories of recurring premium products: risk products; long-term savings and investments; retirement annuities; and credit life. Risk products include life, disability, severe illness cover and funeral cover. Savings and investments products include life wrapped investment contracts, discretionary savings and tax-free savings account products. Credit life products cover debt repayment on death.

#### South Africa life insurance recurring new business premiums<sup>13</sup>

	2014	2015	2016	2017 LTM H1	CAGR 2014 – 2016
	<i>(R billion)</i>				
Risk	9.8	10.8	12.6	12.3	+ 13.4%
Savings	3.9	4.8	4.6	4.5	+ 8.6%
Retirement annuities	2.4	1.9	2.3	2.6	(2.1%)
Credit life	2.3	2.4	1.8	1.4	(11.5%)
<b>Total new business premiums</b>	<b>18.4</b>	<b>19.9</b>	<b>21.3</b>	<b>20.8</b>	<b>+ 7.6%</b>

Traditionally, distribution of retail life insurance products has been through face-to-face interactions with advisers and brokers, who were affiliated with a specific insurance company or were independently serving the wider market. Over time direct distribution via call centres has gained traction, and more recently digital distribution through online websites and mobile applications has been introduced.

Employee benefits, which include pension benefits, death, disability and healthcare benefits, are common practice amongst large employers in South Africa as it is considered one of the most effective channels for creating a savings culture. While the Pension Funds Act does not compel an employer to provide pension benefits, the South African Revenue Service ("SARS") requires that any person employed by a company offering a retirement fund must become a member of that fund as a condition of employment.

<sup>9</sup> National Credit Regulator.

<sup>10</sup> BMI South Africa Insurance Report 2017.

<sup>11</sup> ASISA Life Stats 2016.

<sup>12</sup> ASISA Life Stats.

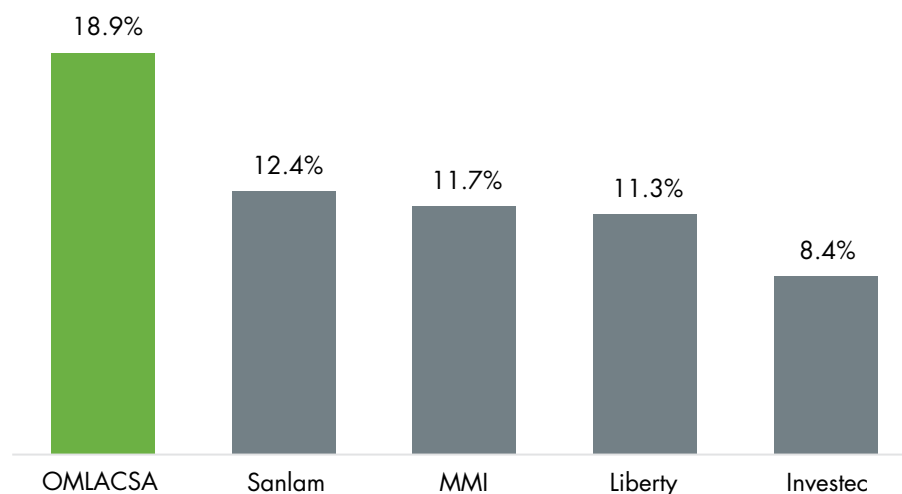
<sup>13</sup> ASISA Life Stats.

At the end of 2015, the South African retirement fund market managed R4.0 trillion in investment assets, up by 10% year-on-year.<sup>14</sup> However, the level of retirement income secured with retirement fund savings typically lies far below the level of pre-retirement earnings.<sup>15</sup> The National Treasury continues to explore ways to increase the number of workers in South Africa with retirement savings plans in place, but many of these plans have been delayed.

### Competitive Landscape

The South African life insurance market is highly competitive, due to the long-term presence of a number of local financial institutions that have historically dominated the sector, with the top 5 providers capturing approximately 63% of total premiums in 2016.<sup>16</sup> Beyond the top 5 players, the market is relatively fragmented, with the next 15 largest life insurance companies together sharing 32% of total premiums.<sup>17</sup>

In terms of long-term insurance premiums, the market shares amongst peers are as follows:<sup>18</sup>



In the low and lower middle income markets in South Africa (which the Group defines as individuals earning from R1,000 to R20,000 per month), traditional players include OMLACSA, MMI (through the Metropolitan Retail segment) and Sanlam. However, many non-financial services players have been capturing market share given the commoditised and simple nature of, and higher margins associated with, funeral products. These non-traditional companies include the likes of banks, retailers and mobile network operators, and typically have large customer bases providing them the ability to distribute products widely at low cost.

Key competitors in the middle income market in South Africa (which the Group defines as individuals earning from R20,000 to R80,000 per month) are the traditional large life insurance players of Sanlam, MMI (through the Momentum Retail segment), Liberty and Discovery Limited ("Discovery"). Competitive pressures within this market are being driven by both traditional and non-traditional players. Traditional players are expanding their customer offerings, and integrating rewards programmes. New players are entering the space with technology-enabled, lower cost and flexible product offerings.

The employee benefits sector is serviced by a number of competitors, including the established large life insurers in South Africa (Sanlam, Liberty and MMI) and Alexander Forbes Limited ("Alexander Forbes"), which have been expanding their retirement benefits offering into a full service proposition. Non-traditional competitors, such as asset managers and consultants, see umbrella funds as key savings products in a post-retirement fund reform world and have entered the market via niche competencies such as passive products. Key competitors in the commercial umbrella retirement fund administration sector include Alexander Forbes, Liberty, Sanlam and MMI.

<sup>14</sup> FSB Registrar of Pension Funds Annual Report 2015.

<sup>15</sup> Sanlam Benchmark Survey.

<sup>16</sup> 2016 Annual Report of the Long-Term Insurance Industry, FSB.

<sup>17</sup> 2016 Annual Report of the Long-Term Insurance Industry, FSB.

<sup>18</sup> 2016 Annual Report of the Long-Term Insurance Industry, FSB.

## Market Trends

### Premium growth

South African life insurance premiums are forecast to expand by 8.7% in Rand terms over the period from 2017 to 2021.<sup>19</sup> Growing per-capita incomes remains a key growth driver of the life insurance market over the coming years as insurers increasingly provide products which cater specifically for low income households. Moreover, as disposable incomes rise and the ranks of middle-class consumers grow, mainly driven by the emerging black middle income market, there will be growing awareness of the need for life insurance products. There is some potential for growth through the provision of (micro) insurance products to first-time users in lower income groups.

### Retail market

The retail market product offering has been undergoing a number of shifts. Firstly, there has been an increase in the offering of modular risk products. Secondly, there has been an increase in living annuity purchases as opposed to life annuities. Finally, the market has seen the growing popularity of reward programmes as a way to attract and retain customers in the middle-income market, by increasing customer product cross-holding through an integrated offering, improve customer persistency and use data analytics to drive favourable consumer behaviour. In the lower income market, there has been a move to greater incorporation of tangible benefits, frequently in the form of value-added services and cash-back rewards.

### Retail distribution

Distribution within South Africa remains predominantly via brokers, with over 50% of new business, followed by agents with approximately 36% for the 2016 financial year.

Business Introduced by: <sup>20</sup>	2014	2015	2016 LTM H1 2017	CAGR 2014 – H1 2017	
			(R billion)		
Brokers	67.4	72.4	89.8	85.7	+ 15.4%
Agents	45.6	56.5	56.5	56.8	+ 11.3%
Direct Business	4.0	4.2	4.6	4.7	+ 7.2%
Corporate	4.4	5.8	4.8	4.1	+ 4.4%
<b>Total New Business Premiums</b>	<b>121.4</b>	<b>138.9</b>	<b>155.7</b>	<b>151.3</b>	<b>+ 13.2%</b>

The retail distribution review proposed reforms to the regulation of the distribution of financial products to retail customers and seeks to ensure that financial advisers and other providers of products and services act in the best interest of the customer. The reforms include removing conflicts of interest around product provider bias and remuneration structures, improved transparency of product charges and service fees, and improved disclosure of the nature of any relationships between product providers and intermediaries. Implementation of the changes commenced in early 2017 and is expected to impact the shape and profile of insurance distribution channels. It is anticipated that tied distribution will grow relative to other face to face models and many independent financial advisers ("IFAs") will consolidate. Direct and digital channels are also growing due to customer engagement preferences in the younger demographic. As a result there has been a gradual move towards a multi-channel distribution strategy that includes both direct and digital distribution.

### Employee benefits market

The employee benefits market comprises 2 main areas, namely investments and group risk insurance:

- the institutional retirement fund market, which captures the employer-sponsored private sector, representing R1.8 trillion FUM, has grown at a compounded annual rate from 2015 to H1 2017 of 4%. These retirement benefits are offered either under standalone retirement funds or multi-employer retirement funds called umbrella funds. The commercial umbrella fund market, which represents R353 billion in FUM, grew at a compounded annual rate of 18% over the period from 2015 to H1 2017. This was driven by the conversion of standalone retirement funds to umbrella funds as a result of increased regulation which has created additional compliance and fiduciary responsibilities, which in turn have increased the cost and complexity for corporates administering their own pension funds. The number of registered standalone retirement funds decreased from approximately 13,000 in 2005 to 5,100 in 2015.<sup>21</sup>

<sup>19</sup> BMI South Africa Insurance Report 2017.

<sup>20</sup> ASISA Life Stats.

<sup>21</sup> FSB Registrar of Pension Funds Annual Report 2015.

- the group risk market, which represents R17.6 billion of GWP, grew at a compounded annual rate of 5% over the period from 2013 to 2016.<sup>22</sup>

The retirement fund reform is a key regulatory theme and seeks to address South Africa's relatively low retirement fund coverage and historically poor retirement outcomes caused by, among other things, low preservation rates, low annuitisation and perceived relatively high costs. Measures that will be taken to promote preservation and annuitisation present opportunities, however, measures to address costs will put pressure on margins. There is also a latent risk of crowding out of the private sector retirement fund market if a high benefit, high contribution rate compulsory National Social Security Fund is established in the future.

Since 2016, the employee benefits sector recorded poor underwriting experience in the group risk market, especially around income replacement in respect of disability benefits. A number of players have publicly disclosed that they are in the process of re-pricing their funds in order to restore profitability. It is therefore expected that this sector will begin a rate hardening cycle.

## 1.4 **Property and Casualty Industry**

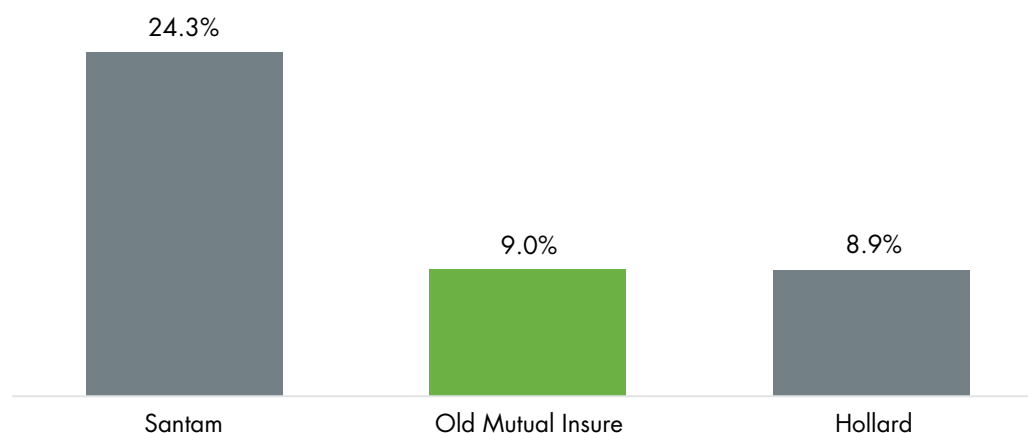
### *Overview*

The property and casualty market in South Africa is sophisticated and well-developed in the context of international markets with a comprehensive product offering to personal, corporate and commercial consumers, across motor, property, personal accident, healthcare and other niche products. The market wrote R117 billion of GWP in 2016, with approximately 78% of the net premiums across motor and property insurance, at 45.2% and 32.9%, respectively.<sup>23</sup> Based on estimates by BMI and the FSB, the South African property and casualty market is expected to continue to record steady growth, but lag the growth of the life insurance sector in terms of overall premiums written, at an average of 5.7% year-on-year in Rand terms from 2017 to 2021.<sup>24</sup>

The main distribution channels for the property and casualty industry span banks, direct channels, agents and brokers. For the latter, there are independent agents and brokers who service multiple companies, as well as tied agents and brokers who work on behalf of insurance companies. Given changes in the technology and consumer landscape, direct distribution has been gaining ground in personal lines and is poised to disrupt the sector.

### *Competitive Landscape*

Historically, competition in this sector has been between local South African players, with the top market shares being held by 3 players.<sup>25</sup>



However, since the early 2000s, direct distributors such as OUTsurance Holdings Limited and Telesure Investment Holdings Proprietary Limited, have made inroads into the property and casualty market, especially in the personal lines segment, and now hold over 10% of property and casualty GWP.<sup>26</sup> The direct distributors have generated stronger underwriting margins compared to traditional distribution models. International players primarily participate in the reinsurance markets.

<sup>22</sup> SwissRe Group Volume Survey 2016.

<sup>23</sup> FSB Short-term Insurance Results Year End 2016.

<sup>24</sup> BMI South African Insurance Report 2017.

<sup>25</sup> 2016 Annual Report of the Short-Term Insurance Industry, FSB.

<sup>26</sup> 2016 Annual Report of the Short-Term Insurance Industry, FSB.

## *Market Trends*

### *Premium growth*

Primary insurer GWP grew at approximately 5% over the period between 2015 and 2016, driven by an increase in the property segment.<sup>27</sup> BMI estimates a further recovery in the motor insurance segment given an increase in new vehicle sales of 1.5% in 2017. Personal lines property insurance is expected to generate better volumes, as first-time home-owners enter the property insurance market and residential construction grows. However pricing pressure is expected to remain as market players look to retain market share.<sup>28</sup>

### *Claims volatility and outlook*

Overall property and casualty claims costs have increased disproportionately over the last 5 years, but the market loss ratio remained relatively flat. BMI notes that approximately 80% of property and casualty claims were incurred in the motor and property insurance segments. According to BMI, motor claims costs have been negatively impacted by the significant volume of uninsured cars on South African roads with poor safety records and significant currency volatility, impacting on the cost of imported parts.<sup>29</sup>

The pace of global climate change is potentially inducing more frequent and intense natural disasters, especially in South Africa, and increases the catastrophe level claims experienced. Flash floods and tornadoes hit the East Rand of Gauteng in July and November 2016, while in June and October 2017 parts of South Africa were hit by catastrophes: the Western Cape was struck by severe rain storms and a large area of Knysna in the Eastern Cape was engulfed by fires in June 2017, while the West Rand of Gauteng and large parts of KwaZulu-Natal were hit by hail, wind and rain storms in October 2017. It is expected that such claims experience will lead to a hardening of reinsurance rates, which will in turn lead to increases in insurance premiums for motor and property cover.

### *Market consolidation/mergers and acquisitions*

Rising operating costs, largely driven by new regulatory compliance requirements and an increase in acquisition costs, have been outpacing profit and premium growth. This has created financial challenges for smaller players to survive on a standalone basis, driving mergers and acquisition activity within the industry.

### *Disruptive technologies*

The growing use of a broad range of technology is expected to positively drive customer service, product developments and new distribution channels as well as improving operational efficiencies. Technological advancements in big data, machine learning, the internet of things, robotics and telematics mean insurers are increasingly able to tailor their product offering based on customer preferences and better price their risks based on unique customer behaviour. New entrants have taken advantage of the sharing economy, offering property and casualty insurance to clients who do not necessarily own the asset insured, as well as peer-to-peer insurance where groups can insure an asset and have cash paid back after a given period. Changes in technology have also resulted in the disaggregation of the value chain with new players capable of providing additional layers of intermediation and aggregation. Social media has led to the introduction of "social media insurance" as well as smaller subsets of society being able to come together over social platforms to insure niche assets and risks.

## **1.5 Asset Management Industry**

### *Overview*

According to Alexander Forbes, South Africa's asset management industry manages approximately R4.3 trillion assets under management ("AUM"), of which institutional assets accounted for R2.9 trillion and retail assets R1.4 trillion.<sup>30</sup> Improved confidence and growth rates will lead to a more positive investment environment.

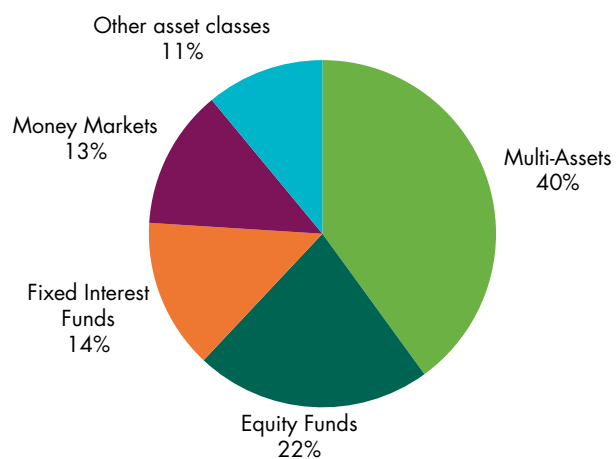
<sup>27</sup> FSB short-term insurance results year end 2016.

<sup>28</sup> BMI South African Insurance Report 2017.

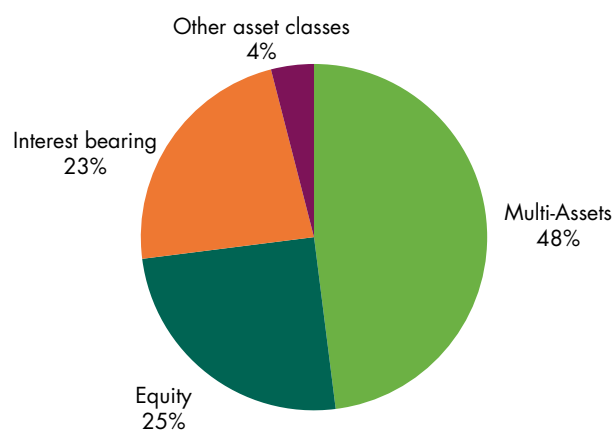
<sup>29</sup> BMI South African Insurance Report 2017.

<sup>30</sup> Alexander Forbes AUM survey December 2016, excluding multi-managers.

Within institutional assets, the most popular asset classes are:<sup>31</sup>



Within retail assets, generally known as collective investment schemes ("CIS"), the most popular asset classes are:<sup>32</sup>

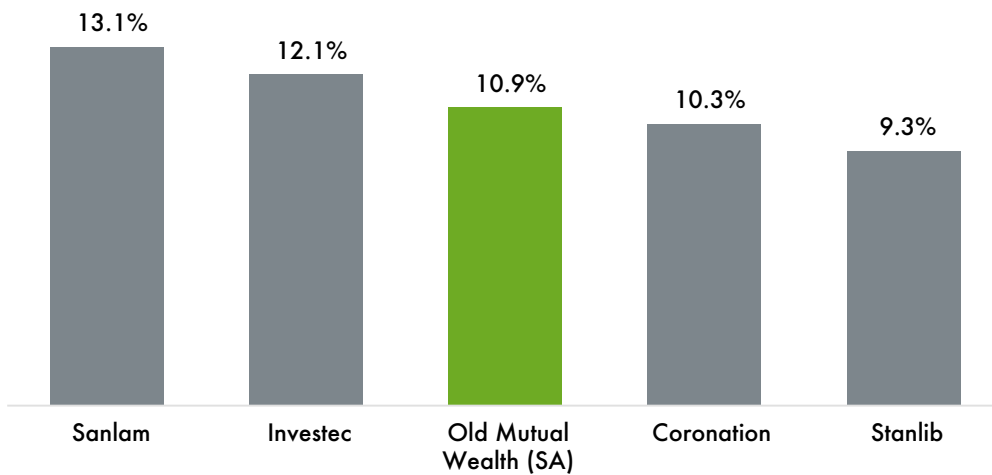


<sup>31</sup> Alexander Forbes AUM survey December 2016, excluding multi-managers.

<sup>32</sup> ASISA, December 2017.

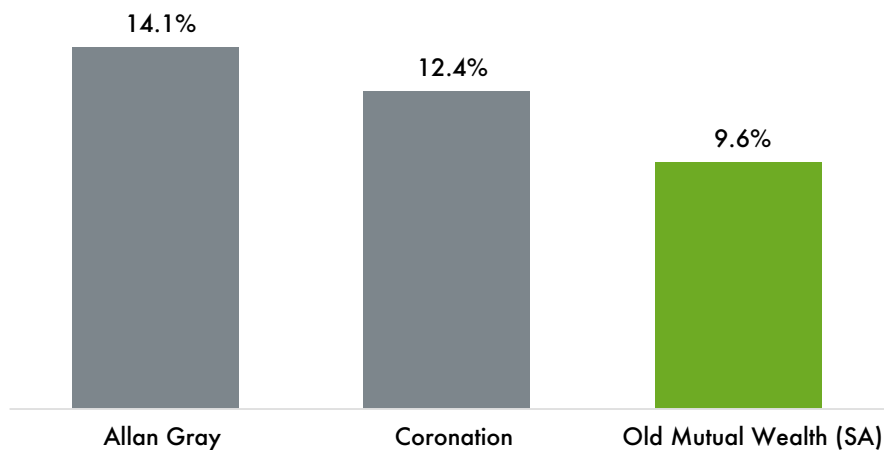
### Competitive Landscape

The institutional market is concentrated among the 5 largest players:<sup>33</sup>



There has been increasing competition from emerging independent boutique managers and passive investment players.

In the retail market, the top players are as follows:



Although currently only constituting 9% of the industry's AUM<sup>34</sup>, black-owned managers are expected to grow their share of the market as institutional investors place a greater focus on black ownership of asset managers.

### Market Trends

#### Asset flows

The retail market has been growing at almost 3 times the growth rate of the institutional market, at 18% CAGR between 2011 and 2016 relative to 6% for the institutional market, with retail growth largely driven and dominated by IFAs. Given concerns around the political and economic uncertainty in South Africa, there has been increased investor appetite for offshore exposure. Between June 2016 and June 2017, net flows for offshore assets amounted to R26.8 billion compared to R6.6 billion in June 2013.<sup>35</sup>

<sup>33</sup> Alexander Forbes Asset under Management Survey December 2016; ASISA statistics December 2017, excluding money market funds.

<sup>34</sup> BEE.economics, 27Four Investment Managers.

<sup>35</sup> Alexander Forbes FUM Survey December 2016.



### Asset mix

From an asset class perspective, growth within the retail segment has primarily been in the multi-asset class sector, fuelled by a low interest rate environment and in anticipation of retail distribution review reforms, as investors and advisers look to solutions-based products to chase risk-adjusted yield and manage advice risk, respectively.

In line with the global trend, there has been significant increase in allocations to passive assets and smart beta. In South Africa by both retail investors (post-retail distribution review) and institutional investors (post-retirement fund reform), retail indexation assets grew from R34 billion at the end of 2014 to R85 billion at the end of 2017.<sup>36</sup> Given the lower margins relative to active products, the industry faces a structural challenge in terms of ongoing pressure on fees.

There has been an increasing allocation from local pension funds and institutions into unlisted assets such as private equity, and alternative assets such as infrastructure and renewables. In South Africa, private equity assets reached R172 billion AUM in 2016, up from R150 billion in 2014.<sup>37</sup> The need to resolve the deficit in infrastructure spend through public and private partnerships and increasing incorporation of environmental and social governance into investment mandates is expected to continue to drive significant investments in renewable energy, housing, and other forms of infrastructure across the continent.

## 1.6 Wealth Management Industry

### Overview

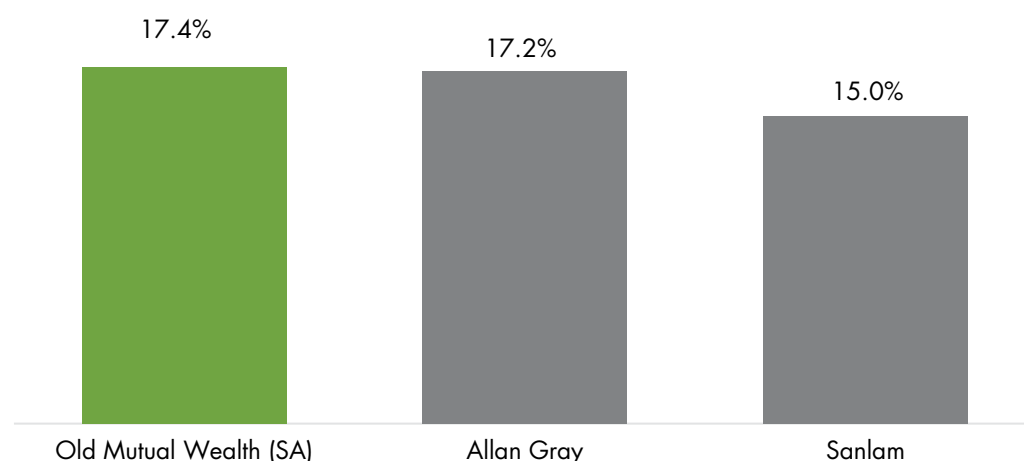
The wealth management industry offers financial planning and advice to affluent and high net worth (“HNW”) individuals. This can include estate planning, establishing or managing trusts, offering investment solutions such as multi managed, single manager funds, life wrapped smoothed funds or direct exposures in stockbroking portfolios and insurance solutions. Wealth management companies span private banks, wealth managers (including large insurance and investment companies) and family offices (companies that focus on a single or small group of HNW customers).

South Africa is the largest private wealth market in Africa with the total private wealth held by all individuals amounting to USD610 billion, and 40,400 HNW individuals (defined as individuals with net assets above USD1 million) in 2016. Over the period from 2006 to 2016, the number of South African HNW individuals had grown by 8% and is expected to grow by a further 30% in the next 10 years.<sup>38</sup>

In addition, from an investment perspective, a significant amount of retail wealth is managed via platforms (Linked Investment Service Provider, “LISP”), where platforms create one stop access for individuals to invest across an array of different funds from different providers.

### Competitive Landscape

Key competitors in the South African wealth market are the large private banks, Sanlam, PSG Konsult Limited and Citadel Investment Services Proprietary Limited (“Citadel”). In the platform (Linked Investment Service Provider, “LISP”) market, the key players’ market shares are as follows:



<sup>36</sup> ASISA.

<sup>37</sup> SAVCA Private Equity Industry Survey, 2017.

<sup>38</sup> AfrAsia Bank Africa Wealth Report 2017.

## *Market Trends*

### *Full discretion private customer portfolios*

There is room for growth within the discretionary private customer market segment as 21.5% (vs. 10% for the rest of the world) of HNW investors do not yet place their assets with a wealth manager and the demand for discretionary mandates is strong.<sup>39</sup>

### *Asset allocation*

Greater use of alternative investment strategies is expected, in line with international experience. These include hedge funds, private equity and a variety of unlisted assets.

### *Consolidation in IFAs as retail distribution review takes hold*

There is an expectation that IFAs will consolidate towards fewer numbers of scaled players as the cost of regulation adherence becomes too much for small IFAs to absorb. Smaller IFAs will likely corporatise, consolidate or move to tied distribution.

### *Distribution*

While face to face engagement remains the main distribution channel, there has been significant growth in digital channels, and a high demand for seamless access to multiple ways of engaging (face to face, digital and telephonic). In the investment platform and CIS part of the industry, products and services are distributed via IFAs, tied agents, bank brokers and direct channels, with IFAs dominating the market. This pattern is forecast to shift over the next 10 years, with bank brokers, tied agents and direct channels gaining some market share as IFAs consolidate.

### *Competitive pricing in retail platform administration and fund management*

The charging structures of platforms have been trending down over the last 5 years and competition levels are high. Firstly, many companies have chosen to use platforms as a loss leader to channel assets into their in house CIS funds, and price the platform at very low margin accordingly. Secondly, retail distribution review and increased disclosure over the last few years are in the process of eliminating the practice of "all in" priced funds, with the industry moving to so called "clean pricing", which clearly segregates between the fund management fee and administration fee. This has meant administration charges are transparently highlighted to customers. Finally, improved technology and automation has driven actual cost of service to lower levels.

On the fund management front, a lower return environment and growth in passive investments has placed downward pressure on fund management fees. Retail fund pricing structures have also simplified, with movement away from performance fee approaches.

## **1.7 Banking and Lending Industry**

### *Overview*

South Africa's banking assets amounted to R4.9 trillion as at 2016. Gross banking loans and advances constitute 76% of total assets at R3.7 trillion and grew 3% from 2015 to 2016.<sup>40</sup>

The market's retail credit book of R1.7 trillion spans mortgages, secured credit, credit facilities, unsecured credit and short-term credit. Banks account for 82% of industry retail credit largely driven by their mortgage books which account for 52% of retail credit. The other players in the retail credit market focus mainly on unsecured credit. Consumer credit grew by 3% from 2015 to 2016 with a CAGR of 4% over the past 5 years. Over the same period, the unsecured lending market witnessed growth of 1%. Unsecured lending as a proportion of overall new retail credit granted, peaked at close to 25% in 2012 and as at end of 2016, dropped to 19%.<sup>41</sup> Wholesale offerings include investment banking and lending, global markets and treasury, commercial property finance, deposit-taking, risk management and transactional banking.

<sup>39</sup> Global Data, Wealth in South Africa: HNW Investors 2017.

<sup>40</sup> SA Reserve Bank, Bank Supervision Department Annual Report, 2016.

<sup>41</sup> National Credit Regulator, Consumer Credit Market Report.

### *Competitive Landscape*

At the end of 2017, there were 33 banks registered in South Africa of which 11 were locally controlled banks, 7 were foreign controlled and 15 were branches of foreign banks (this number also includes 2 new licences which were approved by the SARB in 2017). The market is highly concentrated with the top 5 banks sharing approximately 91% of market share by total assets.<sup>42</sup>

In the past the banking landscape has been dominated by the large 4 banks (ABSA Bank Limited ("ABSA"), FNB, Nedbank and Standard Bank), however, in recent years Capitec has seen substantial growth and is now competing directly with the previous incumbents. In addition, new entrants from other industries, such as telecommunications and financial technology (fintech) firms, are entering the market as they aim to cross-sell financial services to existing client bases. New entrants include online banks and payment facilitators, medical and insurance providers, microloan providers and virtual-payment and mobile-telephony providers, all offering an increasing array of financial products and services to the consumer. Competition from international banks is less intense than prior to the global financial crisis, as regulatory burden has resulted in global systemically important banks reducing their capital commitments and exposure to emerging markets.

### *Market Trends*

Muted macro-economic conditions since 2014 and heightened uncertainty have led to lower levels of revenue growth particularly in the retail segment. In 2016, the South African Government issued interest rate caps to charges on loans which reduced the maximum interest rate from 32.65% to 27%. Wholesale advances have grown faster than retail over the last 5 years<sup>43</sup>, which tend to attract lower margins overall. Banks have generally responded to the top-line pressures by driving more intense cost management.

The level of impaired advances improved for the banking industry over 2016, measuring 2.9% of gross advances at the end of 2016, as compared with 3.1% at the end of 2015. Specific credit impairments improved in line with this trend, falling to 1.26% of gross advances for 2016, from 1.49% for 2015.<sup>44</sup> Slower economic growth is, however, expected to pose a challenge to repayments, which could potentially trigger higher provisioning costs and impact profitability.<sup>45</sup>

Industry capital adequacy ratios have improved over 2016, with the total capital adequacy ratio at 15.7%, and common equity tier 1 ratio at 12.2% at year-end 2016. Retail deposits have grown faster than retail advances in 2016 (SA Reserve Bank, BA900 data), which has supported improving industry funding and liquidity ratios.<sup>46</sup>

## **2. Rest of Africa**

### **2.1 Macro-economic Environment**

Sub-Saharan Africa experienced reduced GDP growth in recent years, falling from 5.1% in 2014 to 1.4% in 2016, impacted by external factors such as low oil and commodity prices, Ebola concerns negatively impacting tourism and investment and drought conditions. As these factors subside and policy reform begins to take effect, the region is expected to have the second fastest growth rate in the world at 3.5% in 2018<sup>47</sup>, second to Asia. The expected 2018 growth rate is also likely to outperform advanced economies such as the United States, European Union and Japan which are expected to grow at 2% in 2018.<sup>48</sup>

Within sub-Saharan Africa, there are clear regional differences. East Africa has the highest growth rate at 5.5% over the past 3 years, driven by Ethiopia, Kenya, Rwanda and Tanzania, which have some of the fastest growing economies in the world.<sup>49</sup> Growth in East Africa has been attributed to a combination of public spending on infrastructure, buoyant household consumption and growing agriculture, services and manufacturing sectors.

Conversely in the Southern African Development Community (excluding South Africa) ("SADC"), Zimbabwe has experienced prolonged periods of depressed economic growth, and continued political uncertainty resulting in stagnant policy reform. However, the dollarisation of the Zimbabwean economy in 2009 and a gradual improvement in agricultural production has led to recent moderate stability. Following November 2017, when President Mugabe stepped down, the country has enjoyed renewed optimism, both domestically and internationally, that political reform will translate into an economic rejuvenation post 2018 elections. However Zimbabwe continues to face multiple socio-economic challenges and liquidity shortages have not shown any sign of easing.

<sup>42</sup> SA Reserve Bank, Bank Supervision Department Annual Report, 2016.

<sup>43</sup> SA Reserve Bank, BA900 data.

<sup>44</sup> FSB Bank Supervision Department Annual Report, 2016.

<sup>45</sup> BMI South Africa Banking Report 2017.

<sup>46</sup> SARB, BA900 data.

<sup>47</sup> IMF.

<sup>48</sup> IMF.

<sup>49</sup> IMF.

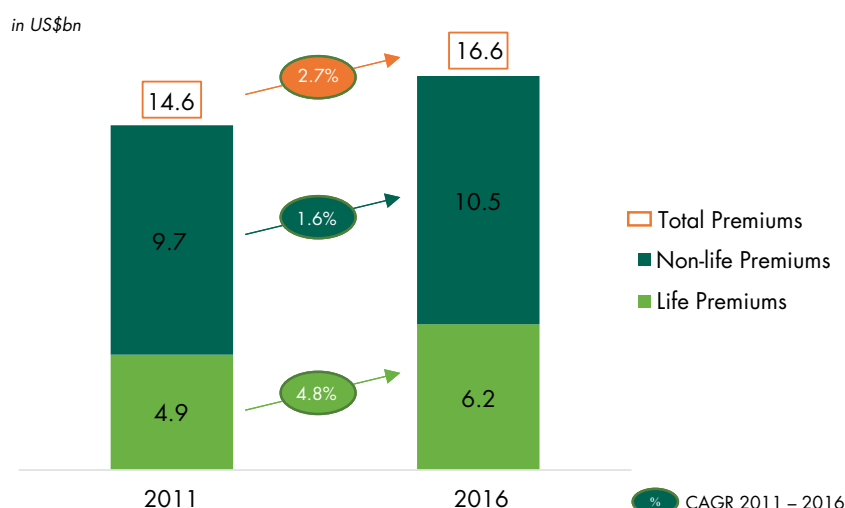
## 2.2 Consumer and Demographic Trends

Sub-Saharan Africa also has supportive demographics, with the working-age population (ages 15 to 64 years) expected to reach 1.7 billion by 2030 with 57% of the current population under the age of 25.<sup>50</sup> In addition, the population of sub-Saharan Africa, which has one of the highest urbanisation growth rates globally, grew on average by 4.0% over the period between 2000 and 2015 in contrast to an average increase of 2.0% worldwide and is recording significant infrastructure investment and rapid rates of technological adoption.<sup>51</sup> There is a growing consumer market driven by increased aggregate household expenditure in sub-Saharan Africa increasing from USD238 billion in 2000, to USD1.1 trillion in 2015, amounting to an average annual rate of 11%.<sup>52</sup>

## 2.3 Insurance Industry

### Overview

Insurance premiums across sub-Saharan Africa (excluding South Africa) are small and evolved as follows:<sup>53</sup>



In the corporate space, distribution is driven by direct sales forces and intermediated channels, such as brokers. In the retail/individual market, distribution is broader and spans tied agents, brokers, bancassurance and burial societies. Digital distribution, primarily through mobile phones, forms a smaller part of the distribution mix, but is expected to gain in prominence. Consequently, partnerships between insurance providers and mobile network operators are gaining momentum.

## 2.4 Competitive Landscape

There are 4 broad categories of competitors:

- traditional South African insurers, including Sanlam, Liberty, MMI and Old Mutual;
- large regional insurers, such as Britam Life Assurance Company Limited and Jubilee Insurance Company Limited in East Africa, and AICO Insurance plc in West Africa;
- international insurers, such as Prudential plc and AXA Insurance Company; and
- tech-based disruptors and non-traditional players (often in partnership with mobile network operators).

In SADC, the markets are more concentrated and dominated by the traditional large, South African listed insurance players. In East Africa and West Africa the markets are more fragmented and are generally dominated by large regional insurers. For more information, Refer to “Part VI – Business of the Group” for detailed market positions across the lines of business in the rest of Africa.

## 2.5 Market Trends

African markets have also witnessed the rapid development and adoption of new technologies, particularly digital technologies such as mobile phones and broadband internet. This has seen mobile infrastructure leapfrogging fixed-line internet infrastructure.<sup>54</sup>

<sup>50</sup> UN World Population Prospects.

<sup>51</sup> UN World Urbanisation Prospects.

<sup>52</sup> World Bank, World Development Indicators.

<sup>53</sup> BMI.

<sup>54</sup> ITU World Telecommunication/ICT Indicators database.

<i>(per 100 inhabitants)</i>	<b>2010</b>	<b>2017</b>	<b>Δ</b>
Penetration of Mobile Cellular Phone Subscriptions	45.4	77.8	+32.4
Penetration of Fixed Telephone Phone Subscriptions	1.5	1.0	0.5
Mobile Broadband Internet Subscriptions	1.8	26.0	+24.2
Fixed Broadband Internet Subscriptions	0.2	0.4	+0.2

Mobile and digital technologies have helped broaden the inclusion of individuals to formal markets, and increased consumer spending, across sectors such as health, retail, agriculture and financial services. This has also led to innovative new business models to deliver products and services to previously underserved consumers in a cost-efficient manner. Mobile money, which refers to mobile money transfers, payments and banking, has seen successful growth and uptake. The number of mobile money accounts in sub-Saharan Africa increased from 200,000 in 2006 to 277 million in 2016, and in 2015 surpassed the number of bank accounts in the region.<sup>55</sup> Mobile-based savings, credit and insurance are more recent offerings to mobile money platforms. The trend of mobile-based financial services is expected to continue over the long term, particularly as smartphone penetration increases across the region.

The insurance market is expected to grow and mature as penetration increases. In SADC, insurance penetration (excluding South Africa) is approximately 2% to 4% in the constituent countries, bar Namibia, which has a high penetration of 9%. SADC differs from the other regions in that the majority of premiums come from life insurance sales. In East Africa, Kenya has the highest level of insurance penetration at 2.8%, with Tanzania and Uganda at 0.7% and 0.8% respectively. The Rwandan market has a penetration of 1.7%. The East African market is dominated by property and casualty sales to a greater degree than West Africa. In West Africa, insurance penetration remains low, with Nigeria exhibiting a rate of 0.3% and Ghana 1.1%.<sup>56</sup>

## 2.6 **Banking and Lending Industry**

### *Zimbabwe*

Total banking assets in Zimbabwe grew by 11% from USD7.8 billion in 2015 to USD8.7 billion in 2016. Gross loans and advances constitutes 42% of total assets at USD3.7 billion, although it continues to witness a decline due to the lack of appetite to lend, evident by increasing liquidity ratios which stood at 62% in 2016. At the same time the level of Treasury Bills has increased from USD0.3 billion in 2014 to USD1.5 billion in 2016 demonstrating that Government borrowing is crowding out the private sector. However, total deposits grew at 16% from 2015 to 2016 standing at USD6.5 billion.<sup>57</sup>

Zimbabwe currently has 13 commercial banks, 5 building societies, 1 savings bank and 189 microfinance institutions. The top 5 banks (CBZ Bank Limited ("CBZ"), CABS, Stanbic Bank, BancABC and FBC Bank Limited) control 52% of the total assets, with CBZ alone controlling 22% of total assets. Financial technology firms are becoming more prominent in the payments space, providing solutions to the informal segment of the economy.

Zimbabwe's banking system is exposed to high levels of risk as a result of the country's ongoing economic problems. The cash shortage, though somewhat mitigated by the issue of bond notes, has left banks unable to meet the cash withdrawal requirements of customers. In terms of solvency, the banking sector appears to be on a stable footing, with most institutions achieving the minimum 12% capital adequacy ratios. Credit growth continues to decline as banks look for low risk sectors due to the macro-economic instability in the country. The large bond portfolios also pose a significant risk if government fails to honour the Treasury Bill obligations on maturity.

### *Kenya*

The banking assets in Kenya stood at USD36.8 billion in 2016 showing growth of 2% from USD36.1 billion in 2015. Gross loans and advances constituted 61% of total assets at USD22.5 billion, and it continues to witness slow growth due to the interest rate caps enforced by the Banking Amendment Bill introduced in 2016, with banks preferring to lend to government. Total deposits grew at 6% from 2015 to 2016 standing at USD26.1 billion.<sup>58</sup>

There are 39 banks and 13 microfinance institutions in Kenya. The banks hold the largest share of total assets at 98% market share, with the top 8 banks holding 65% market share. Within the microfinance space, Kenya Women Microfinance Bank Limited and Faulu Microfinance Bank Limited ("Faulu") control the market with 48% and 40% market share, respectively.<sup>59</sup> The challenging environment, competitive pressures and the collapse of 3 banks between 2015 and 2016 created uneasiness in customers towards the tier II and III banks.

<sup>55</sup> GSMA State of the Industry Report on Mobile Money, 2016.

<sup>56</sup> Axco.

<sup>57</sup> RBZ, Banking Sector Report December 2016.

<sup>58</sup> Kenya Central Bank and Individual Bank Financial Statements.

<sup>59</sup> Kenya Central Bank and Individual Bank Financial Statements.

The interest rate cap continues to have a major impact on interest income. Banks are moving away from “high risk” borrowers, who cannot fit within the 4% risk margin, so that those borrowers cannot access credit. To counter pressure on interest income, the banking sector has taken proactive measures aimed at increasing operational efficiency including staff downsizing, closure of branches, reviewing operating hours for some branches and acquisitions and disposals in the case of some tier III banks. It is widely viewed that this could prompt many banks to grow their non-interest income with bancassurance regarded as one of the key levers of growth.

The challenging business environment has impacted negatively on the quality of loans. This has been attributed to among other factors, delayed payments from public and private entities and poor weather conditions. As a result, the ratio of gross NPLs to gross loans increased from 6.8% in 2015 to 9.2% in 2016.<sup>60</sup>

### 3. Latin America

#### 3.1 *Macro-economic Environment*

Colombia is the fourth largest economy by GDP in the Latin American region, with USD282 billion.<sup>61</sup> The economy is forecast to grow at 5.5% per annum between 2017 and 2020.<sup>62</sup>

Mexico is the second largest economy in the Latin American region, with GDP of USD1 trillion.<sup>63</sup> GDP growth has been quite steady over recent years and is expected to grow at 5.3% over the next 3 years.<sup>64</sup>

#### 3.2 *Consumer and Demographic Trends*

Colombia has a population of 49 million which is slightly smaller than South Africa, while Mexico’s population at 124 million is more than double that of South Africa.<sup>65</sup> Both markets have a high youth population with approximately 60% of the population aged 35 years or younger.<sup>66</sup> The markets are largely urban, with more than 75% of Colombia’s total populations regarded as urban.<sup>67</sup>

#### 3.3 *Savings and Investments Industry*

In Colombia, the mandatory pension market is comprised of 4 companies. This market is dominated by local financial conglomerates, and is highly concentrated with the top 2 players accounting for 81% of industry AUM as at December 2016.<sup>68</sup> The voluntary pensions market is comprised of 11 companies spanning pension fund administrators, fiduciary companies, insurers and to a lesser extent, banks. The market is also concentrated, with the top 3 players accounting for 83% of industry AUM as at December 2016 for which the Group holds the second position with a market share of 27%.<sup>69</sup>

The Mexican life insurance market is comprised of 41 companies and is concentrated, with the top 5 players accounting for over 67% of industry GWP as at December 2016.<sup>70</sup> The mutual fund industry comprises 45 investment management companies, including 25 non-bank companies.<sup>71</sup>

As consumers become more sophisticated, there is a shift from banking deposits to long-term savings and investment products with asset managers and mutual funds that offer specialised boutiques. Insurance-wrapped investments are rapidly gaining popularity as a way to effectively manage tax benefits and grow assets for transfer of wealth, particularly in Mexico.

There is increasing appetite from institutions for alternative investment classes like infrastructure and real estate funds are also capturing the appetite for retail and institutional investors alike. In a similar trend to other markets, defined contribution or hybrid pension plans are increasingly replacing defined benefits plans. In line with FATCA and government amnesties, there is an increasing repatriation of foreign assets back into countries.

<sup>60</sup> Kenya Central Bank.

<sup>61</sup> IMF.

<sup>62</sup> IMF.

<sup>63</sup> IMF April 2017.

<sup>64</sup> World Economic Outlook (WEO), April 2017.

<sup>65</sup> IMF.

<sup>66</sup> UN World Population Prospects, Population by age 2015.

<sup>67</sup> UN World Urbanisation Prospects, Urban population at mid-year 2015.

<sup>68</sup> Superintendence of Colombia.

<sup>69</sup> Superintendence of Colombia.

<sup>70</sup> CNSF.

<sup>71</sup> CNBV.

## 4. China

### 4.1 *Macro-economic Environment*

China is the largest economy in the Asia region, with a GDP of USD11.2 trillion. GDP per capita has been growing at 4.6% per annum since 2013.<sup>72</sup>

### 4.2 *Consumer and Demographic Trends*

China has a large population of 1.4 billion that is being increasingly urbanised.<sup>73</sup> It is estimated that 200 million people were urbanised over the last 10 years in China.<sup>74</sup>

### 4.3 *Insurance Industry*

China is the third largest life insurance market globally with USD263 billion GWP in 2016, with growth at a compound annual growth rate of 20% between 2013 and 2016.<sup>75</sup>

The life insurance market comprised 85 companies, spanning 56 local companies and 28 joint ventures at 31 December 2017.<sup>76</sup> The top 10 life insurers account for 71% of GWP. Foreign insurers exist in the market only by joint venture with a domestic player. Foreign joint ventures account for 5.2% of combined GWP and 7% of life insurance GWP.<sup>77</sup> Insurance licences are very difficult to obtain, and currently foreign insurers are limited to 50% ownership. In addition, approval time to open branches can be lengthy. However, the regulatory environment is improving, with an announcement in September 2017 that foreign insurers would be allowed to own 51% in life insurance joint ventures with the cap to be completely removed in 5 years.

Life insurance penetration remains low by developed market standards, at 2.3%. This is expected to increase on the back of growing per capita incomes, greater insurance awareness and government efforts to grow traditional risk products in the market.<sup>78</sup>

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<sup>72</sup> IMF.

<sup>73</sup> IMF.

<sup>74</sup> UN World Urbanisation Prospects; Annual Urban Population at Mid-Year, 1950–2050.

<sup>75</sup> SwissRe Sigma Report, 2017.

<sup>76</sup> China Insurance Regulatory Commission, December 2017.

<sup>77</sup> China Insurance Regulatory Commission, December 2017.

<sup>78</sup> SwissRe Sigma Report, 2017.

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## PART VI

### BUSINESS OF THE GROUP

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#### 1. Overview

The Group has an ambition to become a premium financial services group in sub-Saharan Africa and currently offers a broad spectrum of financial solutions to retail and corporate customers across key markets in 17 countries. The Group primarily operates in South Africa and the Rest of Africa, and has niche businesses in Latin America and China. The Group holds a 53% stake in the issued share capital of Nedbank, which primarily operates in South Africa, the Rest of Africa and the United Kingdom, of which 1% is held on behalf of policyholders with the remaining 52% held in shareholder funds. After the Nedbank Unbundling, the Group will retain a minority interest of 19.9% of the issued share capital of Nedbank in its shareholder funds. The Group's lines of business include Life and Savings, Property and Casualty, Asset Management and Banking and Lending. It distributes products and services to customers through a multi-channel distribution network spanning tied and independent advisers, branches, bancassurance, direct and digital channels, and worksites. The Group is recognised as a leading long-term insurance brand, ranking first in the long-term insurance business-to-consumer category in South Africa for 13 consecutive years according to the *Sunday Times* Top Brands Awards. It is also a Top Employer in South Africa, ranking first for financial services and insurance companies for 7 consecutive years, and first overall in South Africa for 2018 according to the Top Employers Institute. The Group is certified as a Top Employer across all 13 African countries in which it operates according to the Top Employers Institute. The Group's retail customers have a wide range of income levels and numbered 12 million as at 31 December 2017, while the Group's corporate and institutional customers, ranging from small to large businesses and institutions, numbered 5,700 as at 31 December 2017.

The Group is well-positioned in the Southern African Development Community while having exposure to key growth markets in East and West Africa. The Group has a track record of improving return on net asset value ("RoNAV"), cash generation and capital strength, which it aims to maintain going forward while reducing costs across the organisation. The Group's success in South Africa has been underpinned by its extensive tied adviser network and branch footprint, a combination which gives the Group a competitive advantage when compared to its traditional insurance peers. To ensure it remains competitive, the Group is investing in (i) technology to improve the customer experience across both its adviser and branch footprint, while enhancing its digital distribution channels, and (ii) the skills and competencies it requires in the future. The Group also has one of the most transformed executive leadership teams in insurance in South Africa in terms of gender and race. The Group also adopts a disciplined approach to capital allocation decisions and ensures that it manages all risks within its risk framework.

The Group manages its business through 7 operational segments, which are supported by central 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 (which the Group defines as individuals earning from R1,000 to R20,000 monthly). These products are divided into 4 categories (i) risk, including funeral cover, (ii) savings, (iii) lending and (iv) transactional products.
- **Personal Finance**, a retail segment that operates primarily in Life and Savings. It provides holistic financial advice and long-term savings, investment, income and risk products and targets the middle income market (which the Group defines as individuals earning from R20,000 to R80,000 monthly).
- **Wealth and Investments**, a segment which operates across Life and Savings and Asset Management through 4 distinct businesses: (i) Old Mutual Wealth (SA), a retail segment targeting high income and HNW individuals, whom the Group defines as individuals earning in excess of R80,000 monthly, that provides vertically integrated advice, investment solutions and funds, and other financial solutions, (ii) Old Mutual Investment Group comprising 8 investment boutiques that provide asset management services to retirement and benefit funds and to the retail market in partnership with Old Mutual Wealth (SA), (iii) Old Mutual Alternative Investments, an unlisted alternatives investment business, and (iv) Old Mutual Specialised Finance, a proprietary risk and investment capability which manages and supports the origination of assets.
- **Old Mutual Corporate**, which operates in Life and Savings. The segment primarily provides group risk, investments, annuities and consulting services to employer-sponsored retirement and benefit funds.
- **Old Mutual Insure**, which operates in Property and Casualty. The segment provides property and casualty insurance products to the personal, commercial and corporate markets through 3 operational businesses: (i) personal, (ii) commercial and (iii) corporate and specialty.
- **Rest of Africa**, which 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 3 regions: SADC, East Africa and West Africa.
- **LatAm and Asia**, which operates in Life and Savings and Asset Management in various countries. In Colombia, the segment offers life insurance, asset management, stock brokering and pension fund administration, in Mexico it offers asset management and life insurance; and it distributes international products in the Latin American region from its operations in Uruguay. In China, the segment offers life insurance through its joint venture (50%) with the China Guodian Corporation.



- **Other Group activities** comprise the activities related to the management of the Group's capital structure which includes shareholder investment assets and third-party borrowings (excluding Residual plc), including the associated shareholder investment return and finance cost. It also includes the Group's investment in Nedbank as well as the management of the net assets and operations of Residual plc.
- The Group holds a 53% stake in the issued share capital of Nedbank, which primarily operates in South Africa, the Rest of Africa and the United Kingdom, of which 1% is held on behalf of policyholders with the remaining 52% held in shareholder funds. After the Nedbank Unbundling, the Company will retain a minority shareholding of 19.9% in Nedbank in its shareholder funds to underpin the ongoing commercial relationship. The level of the 19.9% minority shareholding in Nedbank was determined through negotiations with Nedbank and discussions with the SARB and the FSB in order to provide stability to the broader financial system and the respective investor bases of Nedbank and the Company during the Managed Separation, whilst also supporting ongoing commercial arrangements. The Group is committed to being a significant minority shareholder of Nedbank with board nomination rights while retaining a right to review its precise shareholding as appropriate from time to time, in accordance with the protocols outlined in the New Nedbank Relationship Agreement, which was entered into with Nedbank on or around the date of this Pre-listing Statement
- The primary components of Residual plc are Old Mutual plc and Bermuda and the activities relating to winding down the Old Mutual plc's Head Office.

## 2. Strengths

### 2.1 *Strong track record of profitable growth and cash generation*

The Group has a track record of profitable growth in spite of macroeconomic uncertainty and volatility in the markets in which it operates. For the 3 financial years ended 31 December 2017, growth in Results from Operations the primary measure of the business performance of the Group's segments at a compound annual growth rate of 6.2% was achieved. Over the last 10 years, the Group achieved a stable and consistent 9% average annual earnings growth (as measured on an Adjusted Operating Profit basis). The Group also had consistently high RoNAV of 22.3%, 18.9% and 18.8% for the 2017, 2016 and 2015 financial years, respectively. The RoNAV in the 2017 financial year was positively impacted by strong equity market performance in Zimbabwe. Zimbabwean equity markets remain volatile, having fallen by more than 10% in the first two months of the 2018 financial year. This was supported by good cash generation, as measured by Free Surplus Generation, of R8,006 million, R6,174 million and R6,115 million for the 2017, 2016 and 2015 financial years respectively. Over the same period, the Group's customer base and FUM grew at compound annual growth rates of 5.5% and 4.7%, respectively. Senior Management aims to continue to build on its strong track record of earnings growth in order to bring it further in line with its customer growth and will seek to do this through the focused delivery of its strategy. The Board believes that the Group's strong cash generation will allow it to deliver its business objectives, including maintaining a strong capital base, whilst seeking to maintain a dividend within its target cover range. Given the profile of earnings, it is anticipated that the dividend cover may vary between reporting periods and dividends will be set using the full flexibility of the range.

### 2.2 *Growth prospects in key focus regions*

The Board believes that the Group's presence in key sub-Saharan African geographies positions it favourably to capitalise on further growth opportunities and believes that there is potential for it to build on its established market positions across southern Africa. During the 2017 financial year, South Africa contributed 85% to the Group's Results from Operations, and its segments generated consistent positive cash flows over the last 3 financial years. Rest of Africa contributed 10% to the Group's Results from Operations, with the SADC region being the main contributor.

The East Africa region has attractive fundamentals in terms of demographics and economic growth, with a population 4 times larger than the population of SADC countries in which the Group has a presence. East Africa has an expected GDP growth rate of 5.5% over the next 3 years according to the IMF. In recent years, the Group increased its presence and product offering in the region through key acquisitions and is now focused on gaining scale across these segments. The Board believes that the Group is uniquely positioned in East Africa through its multiple lines of business, which allow it to cross-sell products, including the sale of insurance products, through its micro-lending subsidiary, Faulu. The Board believes that technology will accelerate the dissemination of financial services in East Africa, which has historically been an underpenetrated financial services market, and accordingly believes it will be able to leverage its existing operations to grow its customer base. In West Africa, rapid population growth is accompanied by an underpenetrated financial services market. The Group currently has limited exposure to the West African market but the Board believes there is a similar opportunity for growth over the longer term.

## 2.3 ***Well-positioned in chosen markets***

The Group is well-positioned across each of the African jurisdictions in which it operates. In South Africa, the Group is ranked first on a GWP basis in Life and Savings,<sup>1</sup> second on a GWP basis in Property and Casualty<sup>2</sup> and third on an AUM basis in retail asset management.<sup>3</sup>

In the Rest of Africa, the Group is strongly positioned across financial services in Zimbabwe, where it is ranked first in Life and Savings,<sup>4</sup> Property and Casualty<sup>5</sup> and Asset Management,<sup>6</sup> and second in Banking and Lending;<sup>7</sup> and in Namibia, where it ranks first in Life and Savings<sup>8</sup> and second in Asset Management,<sup>9</sup> and Property and Casualty.<sup>10</sup> The Group also has a strong proposition in Kenya, where it is second in Property and Casualty (including health)<sup>11</sup> and second in micro-finance in Kenya.<sup>12</sup>

In LatAm and Asia, the Group occupies niche positions in certain financial products, including in Colombia where it is ranked second in voluntary pensions.<sup>13</sup>

In addition to operating under the primary Old Mutual brand, the Group offers its products and services through other well-established brand names, including CABS in Zimbabwe and UAP-Old Mutual across East Africa, which the Board believes consumers associate with trust and integrity.

## 2.4 ***Extensive product and service offering catering to all customer needs***

The Group has extensive product and service offerings across the geographies in which it operates, particularly in South Africa, SADC and East Africa. These products and services span the full spectrum of financial services, including Life and Savings, Property and Casualty, Asset Management and Banking and Lending. The Board believes that close collaboration between the Group's segments enables the Group to work as a single focused enterprise for the benefit of its customers. 5 of the Group's 7 operational segments operate in South Africa, providing products and services to a retail customer base which totalled 6.2 million customers across Life and Savings as at 31 December 2017, in the low income, lower middle income, middle income and wealth markets. Corporate and institutional customers, ranging from small to large businesses and institutions, comprised 5,700 as at 31 December 2017. The Group also offers financial services to 5.1 million customers in SADC, East Africa and West Africa. The Board believes that the Group needs to be flexible in both its product offering and its distribution channels to enable it to be successful across markets and jurisdictions and therefore tailors its approach to the particular needs of each local market. The Board believes that it can leverage its existing scale efficiently and sustainably to gain competitive advantage in these markets.

## 2.5 ***Multi-channel distribution network and largest reach of traditional South African peers***

The Board believes that the Group's South African distribution network represents a significant strength as the geographic reach of its operations gives it an advantage relative to its traditional South African peers. The Group distributes its products through tied and independent advisers, branches, bancassurance, worksites, direct (e.g. call centres) and digital channels. In South Africa, the Group's extensive adviser network is the primary means through which it sells its products and services to retail customers. The Group had approximately 7,900 tied advisers and 323 customer facing branches as at 31 December 2017. Based on available public disclosures, the Group had both the largest tied adviser network and the largest customer-facing branch footprint in South Africa amongst its traditional insurance company peers as at 31 December 2016. The branch footprint is a key part of its strategy of delivering customer value by providing a seamless experience. The branch network enables sales across multiple financial services needs and provides a full breadth of customer servicing across the Group's product portfolio. The Board believes that the Group can increase its annual premium equivalent ("APE") by leveraging Mass and Foundation Cluster's branch footprint, and Old Mutual Corporate's worksite marketing model, to benefit its other South African segments. This will be enhanced through the delivery of holistic advice and financial education to customers. The branch footprint has been a key part of the success of the Mass and Foundation Cluster, contributing 29% to covered APE sales during the 2017 financial year, an increase from 26% from the 2015 financial year.

<sup>1</sup> 2016 Annual Report of the Long-Term Insurance Industry, FSB.

<sup>2</sup> 2016 Annual Report of the Short-Term Insurance Industry, FSB.

<sup>3</sup> ASISA.

<sup>4</sup> 2016 Annual Report, IPEC.

<sup>5</sup> 2016 Annual Report, IPEC.

<sup>6</sup> SECZ.

<sup>7</sup> RBZ.

<sup>8</sup> Quarterly Statistical Bulletin, NAMFISA.

<sup>9</sup> Quarterly Report, Association of Unit Trusts Namibia.

<sup>10</sup> Quarterly Statistical Bulletin, NAMFISA.

<sup>11</sup> IRA.

<sup>12</sup> CBK.

<sup>13</sup> Superintendencia Financiera de Colombia.

Over the last 3 years, the Group has also grown its direct and digital channel sales in South Africa in response to the increasing preference of customers to purchase financial services products online. In the 2010 financial year, the Group launched iWyze as a direct digital distribution channel for its property and casualty insurance products. In the 2015 financial year, the Group launched the Old Mutual Tax Free Savings Account online. In the 2017 financial year, the Group launched a direct life insurance proposition through iWyze. The Group also offers discretionary investment products, funeral cover and access to stockbroking through online channels.

## 2.6 ***New and agile management team structured to deliver***

The Group's CEO, Peter Moyo, was appointed effective 1 June 2017 after serving as Chairman of Vodacom Limited and CEO of both NMT Capital Proprietary Limited ("NMT Capital") and Alexander Forbes. Between 2000 and 2005, Peter was the deputy managing director of Old Mutual South Africa. Following his appointment as CEO, Peter restructured the Group's leadership and reporting lines, refreshing the personnel at the executive level by bringing the managing directors of the customer-facing segments into Senior Management. The restructuring included the creation of the Wealth and Investments segment, which incorporates Old Mutual Investment Group and Old Mutual Wealth (SA). Casper Troskie was appointed as CFO effective from 27 March 2018. These changes sharpened the operational focus of the Senior Management with the goal of improving the delivery of the Group's services to its customers. The members of the new Senior Management team all have extensive experience in financial services and in their respective market segments. The Executive Committee is also diverse from a gender and race perspective. Please see "Part VIII – Management and Corporate Governance" for biographical information on the members of the Senior Management team.

## 2.7 ***Strong Board and governance structure in place***

In preparation for the Admissions, the Group has also strengthened and expanded its governance structures above Senior Management. The non-executive membership of the Board comprises 9 Directors from the board of directors of Old Mutual Emerging Markets Limited ("Emerging Markets") and 7 new Non-Executive Directors. Peter Moyo, Ingrid Johnson and Casper Troskie are the 3 Executive Directors on the Board. Ingrid Johnson will become a non-executive director with effect 1 July 2018 and remain on the Board until at least March 2019. The Directors have a wealth of experience across the Group's lines of business and in operating a JSE-listed company. Please see "Part VIII – Management and Corporate Governance" for biographical information on these individuals.

# 3. **Strategy**

The Group's vision is to become its customers' most trusted partner and to help them reach their financial goals. The Group's strategy is rooted in this vision and achieving its ambition of being a premium African financial services business in sub-Saharan Africa. Its business model positions it to deliver on this vision. By focusing on its customers' needs both in its asset gathering (for example by promoting financial inclusion and providing financial education and advice) and in its asset management (for example by deploying funds responsibly into infrastructure, renewable energy and housing) activities, the Group remains relevant in the face of social, environmental and technological change. The Group also seeks to ensure that it provides tailored solutions to customers and builds long-term relationships with them. During the second half of the 2017 financial year, the Group conducted a strategic review to determine the best direction for the business following the announcement of the Managed Separation. Based on this review, the Group identified 3 overarching medium-term priorities: (i) consolidating and growing the Group's position in markets where it is a market leader; (ii) improving key underperforming businesses; and (iii) building long-term competitive advantage. By focusing on these strategic initiatives, the Group is targeting to grow at a CAGR of nominal GDP growth plus 2% over the 3 years to 2020 in Results from Operations. GDP growth is defined with reference to South Africa. To support the execution of these strategic initiatives, the Group prioritises investing in people and technology, and being the leader in cost efficiency. These 3 priorities are broken down into 8 "battlegrounds", which are set out below.

## 3.1 ***Consolidating and growing the Group's position where it is a market leader***

### *Defend South African market share in the mass and corporate markets*

Both the Mass and Foundation Cluster and Old Mutual Corporate have leading positions in their respective markets. However, competition in these markets continues to intensify as a result of the emergence of new market entrants and the expansion of existing competitors that are seeking to attract new customers. The Group will seek to defend the existing market share of these segments.

### *Defend and grow in the South African personal finance market*

The Group is seeking to reclaim its historic leadership position in the South African middle income market. Personal Finance originally derived its competitive advantage from its strong tied adviser force. In order to reclaim its leading market position by growing its market share, the Group will seek to leverage the size of this adviser force while focusing on utilising it more effectively and will continue to broaden its reach and deepen customer relationships through new channels. The Group will support this strategy by delivering enhanced product and service propositions to both customers and intermediaries while focusing on key growth areas in the market.

### 3.2 **Improving key underperforming businesses**

#### *Improve the competitiveness of Wealth and Investments*

The new Wealth and Investments segment was formed in July 2017 and comprises the South African wealth business as well as the Old Mutual Investment Group which includes asset management, unlisted alternatives and the proprietary risk and investment business.

The Board believes that Wealth and Investments has the requisite building blocks to be competitive and is well-positioned to grow both its market share and its overall profit contribution to the Group. The investment performance of Wealth and Investments in key multi-asset categories is competitive in both the single and multi-manager offerings. The segment will continue to focus on delivering strong investment performance, and increasing the support it receives from the retail investment IFAs market, compared to a niche sub-set of IFAs it targeted historically. Wealth and Investments will also leverage its capabilities, such as alternatives, specialised credit, passives and smart beta as market demand for these differentiated capabilities increases.

#### *Continued turnaround of Old Mutual Insure*

In 2013, the Group undertook a turnaround plan of Old Mutual Insure's personal and commercial businesses. Having delivered on the personal turnaround, the key elements of this strategy are the continued remediation of the commercial business, ensuring that it has robust claims management and underwriting processes, increasing and diversifying the specialist business further, growing the iWyze business and enhancing the level of integration and co-operation between Old Mutual Insure and the Group's other segments.

#### *Turnaround of East Africa and improve returns across the Rest of Africa*

Over the past 2 years, the Group made good progress in turning around its East Africa business. The Group aims to continue this turnaround by increasing cross-selling among its subsidiaries in Kenya, especially through Faulu in Banking and Lending. It will also seek to further improve cost efficiencies by rationalising its property portfolio, merging some of its entities, and turning around the Banking and Lending and Property and Casualty lines of businesses. In West Africa, the Group will focus on organic growth, particularly through leveraging banking and distribution partnerships. The Group will also continue to focus on improving efficiencies and containing expenses across the continent.

For further information on the East Africa turnaround, please see "Part XI – Operating and Financial Review".

### 3.3 **Building long-term competitive advantage**

#### *Win the war for talent*

The Group is heavily invested in attracting and retaining the best personnel available in the market as shown by the changes it has made to its leadership structure and the recent appointments of new members of Senior Management. The Board believes in having the right management team in place to focus on the execution of its business plan. The Group will foster an agile, execution-focused, high performance culture, with an emphasis on Responsible Business, to attract and retain qualified personnel and will focus on cultivating the requisite capabilities to compete with its traditional and non-traditional peers. It will also have competitive remuneration in place to recruit, motivate and retain high performing employees. In this regard, there will be an appropriate balance and alignment between the interests of shareholders, other stakeholders, and those of employees. These factors are expected to support the creation of sustainable longer-term value for shareholders and other stakeholders, and enhance the competitive advantage obtained by employing and retaining the best personnel.

#### *Refresh the technology offering*

The Group is continually investing in technology platforms so as to refresh and improve customer value propositions and responsiveness to their needs. Since the 2015 financial year, additional emphasis has been given to improving and developing digital and analytics capability, with a strong focus on delivering improved customer experience and enhanced digital channels in line with evolving customer needs. A primary focus area has been the refresh of protection solutions in the Mass and Foundation Cluster and Personal Finance segments, and these initiatives are expected to come online during the 2019 financial year.

#### *Cost efficiency leadership*

The Group will continue to focus its efforts on cost optimisation initiatives across the business. A cost base review was undertaken in the second half of the 2017 financial year to identify opportunities that enable the business to run more efficiently by leveraging its scale. The Group is targeting pre-tax run-rate cost savings of R1.0 billion by the end of the 2019 financial year, net of costs to achieve this. This will be delivered after the effects of foreign currency movements and inflation over the next 2 years. With effect from the 2020 financial year, the Group is targeting to manage its cost base within inflation.

### 3.4 **Responsible Business**

Responsible Business is core to the execution of the Group's strategy. The Group defines Responsible Business as "proactively contributing to the betterment of our customer's lives and responding to material matters that threaten the survival of our business, society and environment in the longer term". The Group's approach to Responsible Business consists of 5 pillars: (i) customers, (ii) investments, (iii) employees, (iv) community and (v) the environment. Given the nature of the Group's core business, the 2 primary focus areas are financial wellbeing (including financial education and financial inclusion) and responsible investments. For further detail on the Group's initiatives across the latter 3 pillars, please refer to "Part VI – Business of the Group – Transformation".

The Group's key financial wellbeing offerings include the On the Money programme, the Financial Education Hub, 22Seven, Moneyversity and the Corporate Financial Wellbeing programme. For the year ended 31 December 2017, the Group's financial education programmes supported over 400,000 people across Africa. The Group is working with business leaders, government representatives and financial experts to discuss critical financial issues. The Group also seeks to leverage digital channels to reach rural areas that have limited formal financial service offerings.

As a responsible investor, the Group continues to systematically integrate the consideration of environmental, social and governance issues into its investment processes. Additionally, it is working to drive its contribution to the development of a socially inclusive, resource efficient and low carbon economy, referred to as a green economy. The Group developed a Green Economy Taxonomy that allows it to classify its unlisted securities based on their green economy attributes. As at 31 December 2017, R116 billion of AUM, is invested in the green economy. As at 31 December 2017, the Group invested R61.4 billion in infrastructure, R22.1 billion in renewable energy and R15.1 billion in affordable housing. In April 2016, Wealth and Investments launched the first responsible investment equity index fund for institutional investors in South Africa. The fund now has R35 million AUM. The Group is recognised as one of the largest infrastructure funders in South Africa and the Wealth and Investments segment was recognised as a leader in sustainability by the National Business Awards in recognition of its strong adhesion to environmental, social, and corporate governance policies.

## 4. **History and Development**

The predecessor to the Group was founded in Cape Town in 1845 as one of South Africa's first mutual life insurance societies. It was known as the South African Mutual Life Assurance Society Cape of Good Hope.

Over the century that followed, the Old Mutual Society expanded into other African countries, including Zimbabwe in 1902 and Namibia in 1920. In 1970, it purchased a majority share of Mutual & Federal Insurance Company Limited ("Mutual & Federal"), a Property and Casualty insurer in South Africa, and in 1973 it acquired a majority interest in Nedbank. The Old Mutual Society's operational growth was paralleled by the expansion of its product offering, which developed over time to include savings and investment services and products such as retirement funds and employee benefits.

Following demutualisation of the Old Mutual Society in 1999, Old Mutual plc became the holding company of the Old Mutual plc Group and was listed on the LSE, JSE, Malawi Stock Exchange, Namibian Stock Exchange and Zimbabwe Stock Exchange.

Subsequently, the Old Mutual plc Group carried out a series of South African and international acquisitions that expanded both its geographic footprint and its product offering. These included the acquisitions of Skandia International ("Skandia") in 2006, a global insurer based in Sweden, (which had operations in the United Kingdom, Nordics, France, Italy, Germany, Poland, Switzerland, Mexico, Colombia, Hong Kong, Singapore and Dubai), AIVA Holding Group S.A. ("AIVA") in Uruguay in 2012, Oceanic Life Assurance Limited and Oceanic General Insurance Limited in Nigeria in 2013, Provident Life Assurance Limited in Ghana in 2013, Faulu in Kenya in 2014 and a majority shareholding in UAP in Kenya in 2015.

Following its expansion, the Old Mutual plc Group comprised the following primary businesses:

- Emerging Markets: A sub-Saharan African financial services business that offers a range of solutions to retail and corporate customers through a multi-channel distribution network, with niche businesses in Latin America, India and China;
- Quilter plc (previously Old Mutual Wealth): A wealth management business focused on the upper and middle income markets in the UK, with a presence in several other markets;
- OMAM: A multi-boutique asset management business focused on the institutional market in the US; and
- Nedbank: 1 of South Africa's 5 largest banks offering a range of banking and other financial services products to retail and wholesale customers.

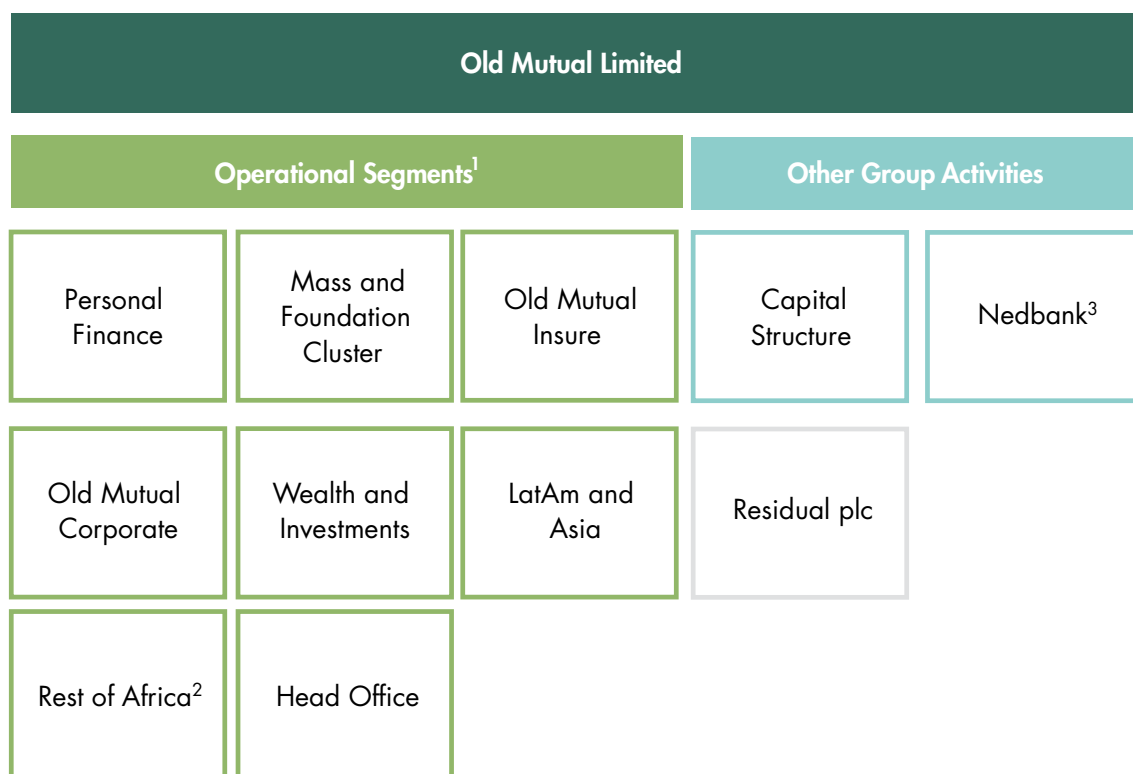
In March 2016, Old Mutual plc announced the Managed Separation as part of its strategy to unlock and create significant long-term value for its shareholders. This was to be achieved through the removal of Old Mutual plc central costs, the material reduction of Old Mutual plc debt, asset realisations of which the most significant was Old Mutual Asset Management plc ("OMAM"), and the separate listings of Quilter plc and the Company. During the 2017 financial year, Old Mutual plc sold and contracted to sell approximately 50.8% of OMAM disposing of its shareholding as at

31 December 2017. In addition, and as part of the Managed Separation, in January 2017, Old Mutual plc disposed of Old Mutual Wealth Italy, part of Quilter plc. In the 2017 financial year, the operating results of the international branches of OMLACSA and certain supporting subsidiaries were reported as part of Emerging Markets after previously being reported as part of Quilter plc. This adjustment was made in preparation for the separation of these businesses and aligned the reporting of the results with the ownership structure. In April 2017, Old Mutual plc announced the sale of its 26% share in Kotak Mahindra Old Mutual Life Insurance, its joint venture in India. The sale completed in October 2017. OMSA further entered into the AIVA SPA and the OMLAH SPA in March 2018 with the Lily Purchaser to dispose of the businesses operated by OMSA in Latin America (ie Colombia and Mexico). For further information on this transaction, refer to Annexe 15 to this Pre-listing Statement.

Following the completion of the Admissions and the subsequent Nedbank Unbundling, the Group will hold a minority shareholding of 19.9% in Nedbank in its shareholder funds. For more information on Managed Separation, please see "Part XIX – Managed Separation".

#### 4.1 Group operational structure

The following chart sets out the Group's operational structure following the Admissions:



##### Notes:

1. The following segments operate under the OMLACSA life licence: Mass and Foundation Cluster, Personal Finance, Old Mutual Corporate, Wealth and Investments. The segments are supported by central enabling functions.
2. Rest of Africa includes operations in 12 countries: Zimbabwe, Namibia, Malawi, Botswana, Swaziland, Kenya, Uganda, South Sudan, Tanzania, Rwanda, Ghana and Nigeria.
3. As at 31 December 2017, the Group held a 53% interest in the issued share capital of Nedbank of which 1% is held in policyholder funds, with the remainder of 52% held in its shareholder funds. This will be reduced to a shareholding of 19.9% of the issued share capital of Nedbank in its shareholder funds following the Managed Separation.

#### 5. Segments

The Group's operations span 17 countries across sub-Saharan Africa, Latin America and China. The Group is divided into 7 operational segments: Mass and Foundation Cluster, Personal Finance, Wealth and Investments, Old Mutual Corporate, Old Mutual Insure, Rest of Africa and LatAm and Asia. The Group is also responsible for managing the return on investment of shareholder capital, finance cost associated with third party borrowings, the shareholding in Nedbank and the ongoing operations of Residual Plc. The Group's business model encourages close collaboration between segments, particularly those in South Africa, which drives sales and cost benefits, as well as improving customer service.

## 5.1 **Mass and Foundation Cluster**

The Mass and Foundation Cluster provides simple financial services products, including Life and Savings products. The segment targets customers in the low income and lower middle income markets, known as the foundation and mass markets, which the Group defines as individuals earning between R1,000 to R5,000 per month and R5,000 to R20,000 per month, respectively. These markets had 10.6 and 7.4 million consumers as at 31 December 2017, and have been growing at 0.5% and 5.6% over the past 3 years respectively.<sup>14</sup> The Group considers the foundation and mass markets to be key to its business and it holds leading positions in them according to publicly available information. In 2008, the Mass and Foundation Cluster launched Old Mutual Finance as a joint venture with The Business Doctor Consortium Limited and its associates ("Business Doctor"). Old Mutual Finance offers unsecured lending and transactional products. Old Mutual Finance provides robust returns and enhanced levels of customer intimacy enabling the Group to compete against banks and other non-traditional competitors. The Group has a 75% shareholding in Old Mutual Finance and the remaining 25% shareholding is held by Business Doctor. As set out in Annexe 11 to this Pre-listing Statement, certain call and put options exist in respect of the 25% shareholding held by Business Doctor.

As at 31 December 2016, the Mass and Foundation Cluster had 3 million customers and 3.3 million as at 31 December 2017 due to the inclusion of Mass and Foundation and normal book growth. During the 2017 financial year R470 million in additional funeral cover was allocated to existing Mass and Foundation Cluster customers, at no extra cost to the customer. Measured by number of policies, the Mass and Foundation Cluster is a market leader in the South African life insurance industry. In the 2016 financial year, it wrote 15% and 54% of the industry's new risk and savings policies respectively.<sup>15</sup> The segment issued 8% of the unsecured lending industry's new loans and advances during the same period.<sup>16</sup>

### *Distribution channels*

The Mass and Foundation Cluster delivers its products to customers through tied advisers, branches, accredited brokers, franchise advisers, digital marketing and telesales. The segment has an extensive tied adviser distribution channel comprising over 4,000 field advisers who engage directly with customers mainly at worksites and over 400 in-house advisers based in the branch network run by Old Mutual Finance. These advisers had market-leading productivity levels of 6.5 policies per week during the 2016 financial year, an increase of 6% from the 2015 financial year. The Mass and Foundation Cluster's financial advisers are recruited directly from the communities in which the segment operates. As a result, the Group works closely with these communities and the Board believes it is a highly trusted and respected brand.

Branches provide customers with sales and other services and facilitate a seamless customer experience by providing direct access to the Group's advisers. The Group uses its branches to distribute its unsecured lending services, and a transactional offering ("Old Mutual Money Account"), which is one of the most competitive transactional solutions in the South African market. In the 2017 financial year, the Group's 323 branches accounted for 29% of life insurance product sales, compared to 26% from 261 branches in the 2015 financial year. The Board believes that growing its branch footprint will bring it closer to customers. Branches are currently piloting Old Mutual branded ATMs as the Group continues to expand its transactional offering. Customer advocacy is supported by an improved Net Promoter Score of 59% in 2017, up from 53% in 2016.

The Group also has a strong worksite advantage with a presence in more than 43,000 worksites which allows it, among other things, to maintain a leading position in the public sector.

### *Segment strategy*

The Group has developed a number of initiatives to defend the leading position of the Mass and Foundation Cluster. These include: (i) strengthening long-term insurance propositions, including extending participation in the funeral value chain, (ii) enhancing lending and transactional offerings, (iii) improving direct and digital sales and customer service and (iv) enhancing the multi-channel sales capability.

## 5.2 **Personal Finance**

Personal Finance provides holistic financial advice and long-term savings, investment, income and risk products to the middle-income market in South Africa. Prior to the 2015 financial year, Personal Finance was part of the Group's "Retail Affluent" segment. It was established as a standalone operational segment following the split of Personal Finance and Old Mutual Wealth (SA) in 2015 and externally reported in this way from the 2017 financial year. Personal Finance targets customers in the middle-income market, which the Group defines as individuals earning between R20,000 and R80,000 per month. The middle income market consisted of 3.7 million consumers as at 31 December 2017 and has been growing at a CAGR of 5.3% over the past 3 years.<sup>17</sup> As at 31 December 2017, Personal Finance had 1.96 million customers compared to 2.00 million as at 31 December 2016.

<sup>14</sup> Bureau of Market Research, 2017 forecast.

<sup>15</sup> ASISA.

<sup>16</sup> NCR.

<sup>17</sup> Bureau of Market Research, 2017 forecast.

The Personal Finance segment's financials include profits from a legacy product set, which refers to a sub-set of products that are closed to new business. The legacy product set includes savings, risk and universal life (which combine savings and a full range of risk benefits) policies. In the 2017 financial year, legacy products contributed 38% of Personal Finance's Results from Operations compared to 20% in the 2016 financial year. The difference in contribution between the years is as a result of negative one-off items in the 2016 financial year compared to positive one-off items in the 2017 financial year. The contribution of legacy products is expected to decline year-on-year.

#### *Distribution channels*

The Personal Finance segment uses multiple distribution channels, including face-to-face and direct channels. Face-to-face channels comprise a tied agency force, IFAs and a franchise channel where franchise principals run their own advice business using Personal Finance's Financial Service Provider licence. The direct channels include the direct financial advice channel, a tele-advice business, which provides full advice and single-needs selling a direct digital channel offering a number of products online, and life insurance through iWyze, which is the direct distribution capability in Old Mutual Insure. While the middle-income market has historically preferred face-to-face advice, which the Board believes reinforces trust in a brand, consumers have shown a growing preference for digital sales and services, in line with growing mobile penetration and internet access in South Africa. Personal Finance advisers are also present in select Old Mutual Finance branches as well as corporate worksites.

In addition to iWyze, Personal Finance utilises various technologies to meet evolving customer needs. Examples of such technologies include 22Seven, a personal online financial management tool which helps with budgeting, thereby laying the foundation for sound financial planning, and Moneyversity, a website that allows customers to access financial education. The online products Personal Finance provides include the Old Mutual Tax Free Savings Account and the Old Mutual Invest Flexible plan, which have increased the contribution of digital distribution channels to gross sales, which increased from R31.1 million for the 2015 financial year to R77.2 million for the 2017 financial year. A number of the propositions traditionally provided by other segments are now online to complement the Personal Finance proposition to middle income customers such as funeral cover, stockbroking and a retirement annuity. Personal Finance will continue to explore and develop its technology portfolio alongside its face-to-face expertise to suit customer needs. Personal Finance also supports other segments through its channels, delivering R3.5 billion in APE for Wealth and Investments and R2.3 billion in premium inflow for Old Mutual Corporate in the 2017 financial year. Approximately 50,000 Personal Finance customers opened a Money Account with Old Mutual Finance in the 2017 financial year and the Personal Finance financial wellbeing offering is available for debt consolidation customers in Mass and Foundation Cluster. Customer advocacy is supported by an improved Net Promoter Score of 56% in the 2017 financial year, up from 55% in the 2016 financial year.

#### *Segment strategy*

The Personal Finance strategy is focused on (i) improving the customer experience through the delivery of a rewards programme to our customers (ii) re-focusing on core customer markers with a focus on expanding customer penetration in Gauteng, (iii) maximising business efficiencies especially across its distribution footprint and collaborative efforts within the Group and (iv) making the business fit for the future.

### **5.3 Wealth and Investments**

With an AUM of R737 billion as at 31 December 2017, Wealth and Investments is one of the largest private wealth and investment managers in Africa. Wealth and Investments has experienced strong investment performance and in respect of the core retail range, 7 out of 10 funds were top quartile over 1 year, with the flagship retail Balanced Fund being in the top quartile over 1, 3, and 5 years. All 4 of the core retail Multi-asset funds and both of the Fixed Income funds attained 4-star Morningstar ratings with top quartile in 1,3 and 5 year measurement periods in most cases. Equity funds have shown more volatile results over 1 and 3 year measurement periods, but 5 year periods again show top quartile performance in most funds, with Global Equity achieving top quartile rankings in all these measurement periods as well as a 5-star Morningstar rating.

Wealth and Investments comprises 4 distinct businesses: (i) Old Mutual Wealth (SA) ("Wealth (SA)"), (ii) Old Mutual Investment Group ("Asset Management"), (iii) Old Mutual Alternative Investments ("Alternatives"), and (iv) Old Mutual Specialised Finance ("Specialised Finance").

#### *Wealth (SA)*

Wealth (SA) is an advice-led, vertically integrated retail investment business. The business partners with tied and independent advisers to provide holistic, sophisticated financial advice, backed by comprehensive investment solutions premised on investment platforms, discretionary fund management and managed funds. The primary target market of the business is high income and HNWI individuals, whom the Group defines as individuals earning more than R80,000 per month or have investible assets of R5 million. Wealth (SA) distributes its products and services through the Group's extensive network of tied and affiliated planner groups. Wealth (SA) ranked first in retail platform assets (including offshore assets) and third in retail assets managed as at 30 June 2017.<sup>18</sup> The segment invested in improving the competitiveness of its local platform and is currently revitalising its offshore platform. Wealth (SA) is focused on enhancing relationships and improving its presence with IFAs.

<sup>18</sup> ASISA/LISPA Local Fund Statistics; ASISA/CIS Fund Statistics.



### *Asset Management*

The Asset Management business operates through 8 investment boutiques with diverse capabilities across listed South African and global asset classes. The boutiques provide bespoke customer investment solutions to retirement and benefit funds covering pure equity (South Africa and global), asset allocation or multi-asset class, indexation, fixed income, and property. They also manage the retail funds gathered through the retail customer facing segments into CIS and life-wrapped funds. The segment is a notable leader in South Africa through its passive investment, fixed income and credit offerings.

### *Alternatives*

Alternatives has developed over the last decade from a start-up to the largest private manager of alternative investments in Africa.<sup>19</sup> The business covers private equity, infrastructure investments, impact investments and international private equity. Alternatives is one of the largest infrastructure and renewables investment managers in South Africa, managing more than 30% of the industry's assets, and it also leads the South African market in impact investment.<sup>20</sup> Alternatives has a large presence across the African continent, where, according to the World Bank, USD93 billion per year is needed on infrastructure spend.

### *Specialised Finance*

Specialised Finance manages and supports the origination of assets to underwrite the Group's guaranteed products and its Consumer Price Index-linked products. The business also provides the core capability for proprietary funds. With a strong track record across multiple asset classes in credit origination and principal investment, including large corporates, banking, listed property, project finance, and credit impairment, Specialised Finance has shown the ability to source high quality transactions and generate superior risk adjusted returns.

### *Segment strategy*

Wealth and Investments' strategy is focused on (i) capitalising on the focus and skill in the boutique model, (ii) growth in differentiated capabilities (liability-driven investment, passives, smart beta and renewables), (iii) refocusing on the retail IFA market, (iv) growing in the wealth segment, (v) leveraging its proprietary risk and investment capability, (vi) leveraging the Group's scale and distribution capabilities, (vii) accelerating global capacities and margin and (viii) building an Africa alternatives mega-manager.

## **5.4 Old Mutual Corporate**

Old Mutual Corporate primarily provides group risk, investments, annuities and consulting services to employer-sponsored retirement and benefit funds in South Africa. Old Mutual Corporate, formerly Old Mutual Employee Benefits, has operated for over 50 years and has a strong market position, generating 41% of the corporate profit pool of the top 5 competitors in South Africa during the 2016 financial year. Its nearest competitor generated 20% over the same period. As at 31 December 2017, the segment had FUM of R256 billion compared to R245 million and R233 million as at 31 December 2016 and 2015, respectively. Old Mutual Corporate had 1.59 million customers, from approximately 5,700 employers, as at 31 December 2017.

Old Mutual Corporate is a free cash contributor to the Group as a result of the fact that its new products are less capital intensive than legacy insurance policies, which are in run off, and it has made improvements to its capital methodology. Old Mutual Corporate's products mainly include pre-retirement plans, annuities and group risk. Pre-retirement plans range from smoothed bonus investments to multi-managed linked and structured passive investments, which amounted to R168 billion and R152 billion for the 2017 and 2016 financial years, respectively. For the same periods, the segment's annuity liabilities accounted for R55 billion and R53 billion, respectively, of which R42 billion and R42 billion, respectively, were higher margin "with profit" annuities and the remainder were inflation-linked and level annuities. Old Mutual Corporate also sponsors the Old Mutual SuperFund, a commercial umbrella fund, and administers 3 industry umbrella funds. Old Mutual Corporate's SuperFund is the largest commercial umbrella fund in South Africa, with approximately 400,000 active members and FUM of R103.6 billion as at 31 December 2017. Old Mutual Corporate continued to innovate its product offering with the launch of SuperFund DC Annuity and Nucleus Index Fund Range.

Old Mutual Corporate's risk products include group risk benefits and its cell captive business, Old Mutual Alternative Risk Transfer Limited ("OMART"). The group risk book generated R4.2 billion and R4.1 billion in GWP in the 2017 and 2016 financial years, respectively. During the 2017 and 2016 financial years, OMART generated R985 million, and R952 million, respectively, in GWP.

Old Mutual Corporate's in-house consulting business, known as Old Mutual Corporate Consultants, provides benefit, investment, actuarial and communication consulting services, helping Old Mutual Corporate retain its existing customers and acquire new customers.

<sup>19</sup> SAVCA 2017 Private Equity Industries Survey, KPMG, IDEAS Managed Fund.

<sup>20</sup> SAVCA 2017 Private Equity Industries Survey, KPMG.

Old Mutual Corporate's market share across traditional peers in value of new business ("VNB") grew from 42% in the 2015 financial year to 69% in the 2016 financial year. In the R1.8 trillion institutional retirement fund market, Old Mutual Corporate held a 12% market share in the 2016 financial year. In the R353 billion commercial umbrella fund market, the business held a 27% market share, and a 29% share of the R17.6 billion annual group risk market in South Africa in the 2016 financial year. In addition, Old Mutual Corporate has the largest book of higher margin products such as smoothed bonus products and "with profit" annuities.

#### *Distribution channels*

Old Mutual Corporate's products are distributed through various channels, including directly to corporate customers using its direct sales force and Old Mutual Corporate Consultants, independent intermediaries and the Group's retail channels. Old Mutual Corporate has a presence across 6 major metropolitan areas in South Africa. Old Mutual Corporate's channels also serve other segments who leverage the worksite presence. Approximately 23,000 customers were acquired by the retail segments in 2017, supporting R392 million in life APE sales. Customer advocacy is supported by an improved Net Promoter Score of 54% in 2017, up from 52% in 2016.

#### *Segment strategy*

Old Mutual Corporate's strategy is focused on (i) maintaining its current leadership position, whilst preserving underwriting profitability through repricing to ensure more sustainable benefit structures, (ii) driving a step change in the customer and intermediary experience, (iii) innovating for growth and (iv) creating the cultural changes necessary to ensure Old Mutual Corporate has the capability to deliver profitable growth.

### **5.5 Old Mutual Insure**

Old Mutual Insure provides Property and Casualty insurance products to the personal, commercial and corporate markets through 3 operational businesses: (i) personal, (ii) commercial, and (iii) corporate and specialty. Old Mutual Insure previously operated under the Mutual & Federal brand, an established and well-recognised brand in the Property and Casualty market with a heritage dating back to the early 1800s. The business was re-branded to carry the Old Mutual name which has had a strong reputation in the broader financial services market for over 173 years. Old Mutual Insure had approximately 407,000 policies as at 31 December 2017.

#### *Personal*

The personal business accounted for 28% of Old Mutual Insure's GWP for the 2017 and 2016 financial years and 27% in the 2015 financial year. It provides property and casualty insurance products, which include household goods, and motor and accident cover to individual customers. Of these products, the largest in terms of GWP is motor insurance.

The personal business distributes its products through intermediaries and direct channels like iWyze. The intermediary network is supported from 38 branches across South Africa, which served approximately 182,000 personal policies as at 31 December 2017. Customers who prefer direct channels are managed through the fast-growing iWyze business, which provides motor and household insurance as well as medical gap cover underwritten by Old Mutual Insure. iWyze also offers life insurance under the OMLACSA licence. iWyze's direct distribution channels include call centre, internet and mobile platforms. iWyze had approximately 132,000 policies as at 31 December 2017.

#### *Commercial*

The commercial business accounted for 34%, 37% and 37% of Old Mutual Insure's GWP during the 2017, 2016 and 2015 financial years, respectively. The business provides insurance against fire, accident and motor risks for small to medium-sized commercial businesses, as well as agriculture and crop insurance in South Africa. In addition, commercial cover includes storm and explosion cover for buildings, machinery and stock, business interruption cover following fire damage, theft cover, personal accident cover, crime cover for acts of dishonesty where employees or third parties defraud the insured company, as well as various forms of liability insurance. The commercial business line distributes its products through intermediaries. As at 31 December 2017, the commercial business's customer base included over 70,000 businesses and over 12,000 agricultural customers.

#### *Corporate and specialty*

The corporate and specialty business line accounted for 39%, 36% and 36% of Old Mutual Insure's GWP during the 2017, 2016 and 2015 financial years, respectively. It provides asset, fire, accident and motor insurance to large corporate institutions and concentrates on tailored solutions for high-value complex risks across corporate property, mining, construction and infrastructure projects, as well as transportation insurance solutions.

Old Mutual Insure is the majority shareholder in Credit Guarantee Insurance Corporation of Africa Ltd ("CGIC"), a key asset in the corporate and specialty business. CGIC has been the leading trade credit insurer in South Africa for many years. Old Mutual Insure acquired 100% of CGIC from minority shareholders in 2016. In the 2017

financial year, Atradius (a major global trade credit insurance provider) acquired a 25% strategic shareholding in CGIC from Old Mutual Insure. Old Mutual Insure plans to leverage its global partnership with Atradius, with its international footprint of 160 offices across 50 countries, global best practice expertise, know-how, and credit underwriting information on more than 200 million companies to support the expansion of trade credit insurance both in South Africa and the rest of Africa.

Old Mutual Insure is targeting an expansion into liability, travel and political risk insurance as part of its strategy to grow its specialist insurance capabilities. Old Mutual Insure predominantly uses local and multinational specialist brokers to source business in these specialist insurance classes.

#### *Old Mutual Insure's turnaround plan*

As mentioned above, the Group is currently undertaking a turnaround of Old Mutual Insure, which initially focused on the personal business and subsequently the commercial business. The turnaround of the retail business has been completed, through repricing of risk exposures, enhancements to the product set, improvements in intermediary service practices, and addressing claims practices.

The commercial business has made good progress in restoring the quality of its insurance accounts and improved profitability in the 2017 financial year. In the 2016 financial year, Old Mutual Insure hired several experienced commercial underwriters to review its risk exposures. Part of the turnaround process entails the provision of additional skills training of the existing teams of underwriters and the review of underwriting guidelines. In addition, Old Mutual Insure's commercial accounts were re-segmented to transfer the larger risks to the corporate and specialty business line, in which Old Mutual Insure's complex risk underwriting skills are located.

#### *Segment strategy*

Old Mutual Insure's strategy is focused on profitable growth through (i) extracting more value from its commercial and personal lines portfolio through improved underwriting and claims processes, and an improved service proposition to intermediaries, (ii) ongoing remediation through 2018 of the commercial insurance accounts to improve profitability, (iii) growing the direct business iWyze, (iv) growing and expanding its specialty insurance lines, and (v) fully leveraging the broader Group's brand, footprint and customer base for growth (currently only 10% of Personal Finance customers are also Old Mutual Insure customers). By completing the turnaround to profitability and diversifying into higher margin direct and specialty lines, the Group anticipates that the business is on track to achieve a target of 4–6% underwriting margin in the near-term.

## 6. Rest of Africa

The core lines of business in the Rest of Africa segment are Life and Savings, Property and Casualty (including health insurance), Banking and Lending (including micro-lending) and Asset Management. The Group has a long history in the Rest of Africa spanning over 100 years in some countries. It has operations in 12 countries that are grouped into 3 regions: SADC, East Africa and West Africa. As at 31 December 2017, the Rest of Africa business had approximately 5.1 million customers.

The table below sets out the Rest of Africa's segments, the approximate number of customers at 31 December 2017 and its market position in each country.

Region and country	Customers	Line of business (market position) <sup>(1)</sup>
<b>SADC</b>		
Zimbabwe	1,201,279	<ul style="list-style-type: none"> <li>Life and Savings (#1)</li> <li>Property and Casualty (#1)</li> <li>Asset Management (#1)</li> <li>Banking and Lending (#2)</li> </ul>
Namibia	323,943	<ul style="list-style-type: none"> <li>Life and Savings (#1)</li> <li>Property and Casualty (#3)</li> <li>Asset Management (#2)</li> </ul>
Malawi	211,037	<ul style="list-style-type: none"> <li>Life and Savings (#1)</li> <li>Asset Management (#1)</li> </ul>
Botswana	8,960	<ul style="list-style-type: none"> <li>Property and Casualty (#4)</li> <li>Life and Savings (#7)</li> </ul>
Swaziland	54,799	<ul style="list-style-type: none"> <li>Life and Savings (#2)</li> <li>Asset Management (#6)</li> </ul>

Region and country	Customers	Line of business (market position) <sup>(1)</sup>
<b>East Africa</b>		
Kenya	1,336,393	<ul style="list-style-type: none"> <li>• Property and Casualty, including health (#2)</li> <li>• Life and Savings (#8)</li> <li>• Asset Management (#4)</li> <li>• Micro-finance (#2)</li> </ul>
Uganda	305,068	<ul style="list-style-type: none"> <li>• Property and Casualty, including health insurance</li> <li>• Life and Savings</li> <li>• Property</li> </ul>
South Sudan	34,031	<ul style="list-style-type: none"> <li>• Property and Casualty</li> <li>• Life and Savings</li> <li>• Property</li> </ul>
Tanzania	14,481	<ul style="list-style-type: none"> <li>• Property and Casualty</li> </ul>
Rwanda	30,571	<ul style="list-style-type: none"> <li>• Property and Casualty, including health insurance</li> </ul>
<b>West Africa</b>		
Ghana <sup>[2]</sup>	167,046	<ul style="list-style-type: none"> <li>• Life and Savings (#6)</li> <li>• Asset Management (#13)</li> </ul>
Nigeria	1,437,953	<ul style="list-style-type: none"> <li>• Life and Savings (#18)</li> <li>• Property and Casualty (#20)</li> </ul>

**Notes:**

1. Market-related data sourced from: Nigeria Insurance Association, Ghana National Insurance Association, NAMFISA, Association of Unit Trusts Namibia, Kenya Insurance Regulatory Authority, Zimbabwe Insurance and Pension Committee, Swaziland Financial Services Regulatory Authority, Malawi: Peer financial statements, Competitor financials received from Botswana regulator.
2. Asset Management comprises Pension Fund Administration.

Recently, Rest of Africa has sought to diversify away from the significant contribution of SADC by growing its exposure to the much populous and higher growth regions of East and West Africa.

## 6.1 SADC

The Group's operations in SADC include Zimbabwe, Namibia, Malawi, Botswana and Swaziland and had 1.8 million customers as at 31 December 2017. In the SADC region, the Group has leading market positions across multiple lines of business. Its business in Zimbabwe demonstrates the Group's ability to successfully navigate difficult operating environments. Despite economic sanctions, prolonged economic deterioration, foreign exchange constraints impacting the business environment, an over-leveraged government and challenging government policy, the Zimbabwe business continued to show strong operating profits for the period from the 2015 financial year to 2017 financial year.

## 6.2 East Africa

The Group's operations in East Africa comprise Kenya, Uganda, South Sudan, Tanzania and Rwanda. The Group has operated in East Africa since the late 1920s, with its first branch opening in Nairobi in 1930. Its operations have historically been sub-scale and predominantly in Life and Savings and Asset Management. The Group acquired a majority stake of 67% in Faulu, an unsecured lending business in 2014, and a 60.7% shareholding in UAP, a Property and Casualty (including health insurance) business in the 2015 financial year (which interest is expected to increase to 66.7% upon exercise of the put option by the minority anchor shareholders in UAP as more fully set out in "Strategic Alliances" in Annexe 11 to this Pre-listing Statement). These acquisitions contributed to the increase in the segment's customer base to approximately 1.7 million customers as at 31 December 2017, with UAP providing it with exposure to an additional 4 countries. However, in each of the 2016 and 2017 financial years, the Group reported a goodwill impairment following the simplification of the operating structure of the Rest of Africa portfolio and the consequential alignment of the routine goodwill valuation review in accordance with accounting requirements. A delay in recognising synergies expected from the acquisition of UAP in East Africa, and the pressure placed on the future profit prospects at Faulu as a result of the introduction of interest caps on lending in Kenya also contributed to the impairment. The key focus geographies in East Africa are Kenya and Uganda, which have a combined population size of 159 million people and are relatively underpenetrated insurance markets.

### 6.3 **West Africa**

The Group's operations in West Africa comprise Ghana and Nigeria and had 1.6 million customers as at 31 December 2017. The business was established in 2013 following the acquisitions of majority stakes in Provident Life Assurance Company Limited in Ghana, and Oceanic Life Assurance Limited and Oceanic General Insurance Limited in Nigeria. A capital-light growth strategy has been adopted in West Africa, with a focus on distribution partnerships with banks. The Group has relationships with Ecobank, Pan African Savings and Loans Company Limited and Royal Bank. Although the Ecobank relationship has been successful in Ghana, a delay in issuance of bancassurance regulations in Nigeria has impacted progress. However, the regulations have now been issued and the Group has sought approval from the regulator for its bancassurance agreements in Nigeria. This will give it access to 512 Ecobank branches.

### 6.4 **Distribution channels**

Rest of Africa has several distribution channels within its segment. Its corporate life insurance products are mostly distributed through established brokers while the primary distribution channels in the retail space are financial advisers and bancassurance. Bancassurance is driven through partnerships with multiple banks across the regions, including subsidiaries of the Rest of Africa segment in Zimbabwe and Kenya. Rest of Africa's property and casualty insurance products are mainly distributed through brokers, advisers and bancassurance. In addition to intermediaries, Rest of Africa has recently partnered with mobile network operators and fintech companies, such as Safaricom in Kenya, MTN Group Limited ("MTN") in Swaziland and Multi-Pay Solutions in Zimbabwe, to provide digital solutions to its customers. Examples of these solutions include mobile phone-based payment platforms, health savings schemes and funeral products.

### 6.5 **Segment strategy**

Rest of Africa's strategy is focused on diversifying its profit streams away from its current reliance on Life and Savings and, geographically, on SADC. In the SADC region, the business will defend its leading market positions while capitalising on pockets of growth. In East Africa, the business will optimise the assets acquired in the region, in particular by following through on the turnaround of the Property and Casualty insurance business and lending business, and sharpening its focus on improving the returns on the real estate portfolio. In West Africa, the business will continue to pursue a capital-light growth strategy by leveraging its bancassurance partnerships. The Group will consider inorganic growth opportunities in Rest of Africa as they emerge.

## 7. **LatAm and Asia**

The LatAm and Asia segment primarily targets the affluent and HNW customer markets in Latin America and China. In Latin America, the Group has operations in Colombia and Mexico, and operates, through AIVA, which is based in Uruguay, a pan-Latin American regional distribution footprint for international products. In China, the Group operates a joint venture (50%) with the China Guodian Corporation, a state-owned power utility company.

### 7.1 **Latin America**

#### *Colombia*

The Group entered the Colombian market after acquiring Skandia in 2006, which had operated in Colombia since 1953. The Group offers mandatory and voluntary pensions, savings and investments, life insurance, asset management and stock brokering services primarily to the affluent and wealth retail markets, as well as institutional clients. The Group is one of the only companies in Colombia that has an independent distribution network for mandatory and voluntary pensions. The Group had a customer base totalling approximately 192,000 customers as at 31 December 2017.

The Group is considered a niche player in Colombia's private pension system. Old Mutual Colombia had the highest FUM per customer in the Colombian pension industry. As the fourth largest economy by GDP in Latin America and with a population of 49 million, Colombia presents a significant opportunity to the Group. The strategy in Colombia is to continue to develop its wealth and asset management offering.

#### *Mexico*

The Group entered Mexico through its acquisition of Skandia in 2006. Its current product offering consists of insurance, savings, retirement and investment products, which it offers through 2 regulated entities; a life insurance company and a mutual fund company. As at 31 December 2017, the Group had approximately 377,000 customers in Mexico.

Corporate private pension plans are a fundamental part of the Group's business in Mexico with a particular focus on defined contribution plans for the most reputable, local and multinational companies. Mexico continues to gain scale by distributing products through its employed channel as well as its network of third party agents. The Group's strategy in Mexico is to continue to focus on corporate pensions, as well as the retail affluent market. The Group has a strong focus on accelerated fee income growth and cost control in Mexico on the path to

break-even AIVA will continue to support the Mexico business to grow its independent channel focused on the distribution of insurance products into this market.

#### AIVA

The Group acquired AIVA in 2012. AIVA has become a leading distribution platform with over 440 independent advisers throughout Latin America. It provides its distributors with top-rated services, and a wide array of international financial solutions in wealth management and insurance and targets the affluent and HNW markets. AIVA also provides products for international healthcare. Since acquisition, progress has been made in AIVA's transformation towards Private Wealth, and towards single premium products from a regular premium business. The Group's strategy for AIVA includes leveraging its platform to build independent channels focused on distributing products to affluent customers in the Group's existing operations in Mexico and Colombia.

On 15 March 2018, OMSA and Lily Purchaser entered into the OMLAH SPA and AIVA SPA, in terms of which, *inter alia*, OMSA will dispose of its interests in OMLAH (ie Colombia and Mexico) and AIVA, including their direct and indirect subsidiaries and subsidiary undertakings, through which the Group's businesses in Latin America is currently conducted. These agreements are subject to certain conditions precedent, including obtaining the required regulatory approvals in the relevant jurisdictions. For further information on the transaction, please see "Part XX – Additional Information – Disposal of Property" and "Part XX – Additional Information – Material Contracts". On implementation of these transactions, the Group will no longer have any operations in Latin America.

## 7.2 China

The Group entered China in 2006 when it acquired Skandia's 50% shareholding in a 50-50 joint venture with the Beijing State Asset Management Company, whose shareholding was later acquired by the China Guodian Corporation in 2010. Despite insurance penetration of less than 5%, China is the third largest life insurance market globally, with a compound annual growth rate of over 20% from 2013–2016.<sup>21</sup>

As at 31 December 2017, the Group through Old Mutual-Guodian Life Insurance Co. Ltd. ("Old Mutual-Guodian JV") had a regional footprint of 12 branches through which it targets affluent and HNW customers, primarily using banking partners for distribution. The business previously focused on investment offerings through life and unit-linked products. However, given regulatory changes, the focus is now shifting to risk products. To support this shift, the business is also transforming its distribution footprint to further expand into brokers and digital distribution channels.

## 8. Other Group Activities

Other Group activities comprise the activities associated with the management of the capital structure of the Group which is supported by shareholder investment assets and third party borrowings. It also includes the management of the Group's shareholding in Nedbank as well as the management of the Residual plc activities.

## 9. Nedbank

The Group acquired a majority interest in Nedbank in 1986. Nedbank is a diversified financial services provider offering a wide range of wholesale and retail banking services, as well as insurance, asset management and wealth management solutions. It delivers its products and services through 4 main segments: (i) Nedbank Corporate and Investment Banking, (ii) Nedbank Retail and Business Banking, (iii) Nedbank Wealth, and (iv) Nedbank Rest of Africa.

Nedbank ranks as a top-5 bank by capital on the African continent and Ecobank, in which Nedbank maintains a 21.2% shareholding, ranks within the top-10 banks by assets on the African continent. Nedbank is South Africa's fourth-largest bank by market capitalisation, total assets and headline earnings. It is also a leading corporate bank and a market leader in commercial property and renewable energy finance and has a strong position in household motor finance, household deposits and card acquiring. It operates a unique asset management model as part of an integrated wealth management business. Through its pan-African banking alliance with Ecobank, Nedbank provides the Group's customers access to Africa's largest banking network.

Nedbank's headline earnings (as defined in the JSE Listings Requirements) were R11,787 million, R11,465 million and R10,831 million for the 2017, 2016 and 2015 financial years, respectively.

For further information on Nedbank, Old Mutual plc Shareholders are referred to Nedbank's public disclosures. Nedbank's public disclosures are not part of this Pre-listing Statement and are not incorporated by reference herein.

<sup>21</sup> sigma-World Insurance in 2016, Swiss Re.

## 10. Residual plc

The primary components of Residual plc are Old Mutual plc and Bermuda, and the activities relating to winding down the Old Mutual plc's Head Office.

At the Admissions, Old Mutual plc Shares will be delisted and Old Mutual plc will become a wholly-owned subsidiary of the Group. Following the resolution of pre-existing items and the completion of the Managed Separation, Old Mutual plc will consist of remaining assets and liabilities. As at 31 December 2017, Residual plc's assets principally comprised a cash balance of R9,049 million and outstanding subordinated Tier 2 bonds of R7,725 million. Please see "Other Group Activities" in "Part XI – Operating and Financial Review" for further discussion on Residual plc.

The Group's Bermuda operations were reorganised in 2015, with a separate reinsurance business, Old Mutual (Bermuda) Re Limited, reinsuring Guaranteed Minimum Accumulation Benefits ("GMAB") reinsurance obligations that correspond to the 10-year anniversaries of underlying variable annuity policies written in 2007 and 2008 obligations of variable annuity policies originally held by Old Mutual (Bermuda) Limited. A holding company, Bermuda, was also formed. On 31 December 2015, Old Mutual (Bermuda) Re Limited was sold to Beechwood Bermuda Limited and subsequently renamed Beechwood OMNIA. Bermuda and its remaining subsidiaries provide reinsurance and policyholder administration services to Beechwood OMNIA, a third-party. The business continues to execute its run-off strategy with approximately 50% of its GMAB reinsurance obligations having matured during the 2017 financial year and the bulk of remaining maturities taking place during the first half of the 2018 financial year.

## 11. Collaboration Between Segments

In addition to the strong individual performance of the segments there are collaboration and synergy benefits across the Group, particularly across the retail and corporate operating segments. Between the retail segments, the Mass and Foundation Cluster provides solutions such as the Money Account, unsecured lending and the "On the Money" to Personal Finance customers, while offering customer migration opportunities as the income of customers increases into Personal Finance's middle-income target market. Personal Finance is also able to leverage the Mass and Foundation Cluster's extensive branch network and has access to select worksites. Both retail segments contribute GWP to each of Old Mutual Insure's personal and commercial lines. Old Mutual Corporate's customer relationships provide cross-selling opportunities to the Group's other segments, particularly through its large retirement and fund member base. Old Mutual Corporate also offers Personal Finance customers access to its fund selection and savings and risk protection products. In 2017, R1.6 billion was invested into Corporate AGP through the Personal Finance retail platform. A significant proportion of the FUM generated by Personal Finance and Old Mutual Corporate is managed within the Group by Wealth and Investments. In 2017, the Group delivered R1 billion of synergies through the Group Collaboration Programme with Nedbank, achieving the target that was established for 2017 delivery.

## 12. Strategic Alliances

In certain regions and market segments, the Group operates its businesses through strategic alliances. In some jurisdictions, investing alongside strategic alliance partners may be required by regulation. The strategic alliances allow for increased collaboration and also provide the Group with opportunities for distribution channel diversification; access to large customer bases to which it can market its offerings; and access to technology and related capabilities to more rapidly deploy innovative customer solutions. Please see Annex 11 to this Pre-listing Statement for further information on certain of the Group's strategic alliances.

## 13. Information Technology

Technology is crucial to the Group in terms of the quality of the service that it provides to customers and its operational efficiency. Given the increasingly connected nature of the world, the Group recognises information security is critical to its business and maintaining the trust of its customers and intermediaries.

The Group's strategy is to use commercial solutions for core administration functionality. The Group partners with major, third party service providers to provide IT platforms for its banking, life and property and casualty insurance product offerings. Commodity services, such as collaboration solutions, will be cloud-based. Infrastructure services are outsourced to third parties in South Africa, with elements such as networks, also outsourced to other markets. Where there are mature offerings, the Group prefers to leverage a partnership model for infrastructure.

In customer and intermediary interaction, the Group has selected platforms which are rapidly configurable and deployable. The in-house application development team focuses on these areas. The Group has partnerships with key technology providers internationally.

The Group continually invests in its technology platforms so as to maintain the relevance of its customer propositions and to continue to meet evolving customer needs. The primary focus of recent initiatives has been on building protection solutions in the Mass and Foundation Cluster and Personal Finance segments which are expected to be activated during 2019.

To date R1.9 billion has been spent on these initiatives; the incremental income statement expense has been in the region of R300 million per annum, and the remainder has been capitalised.

As assets come on line in 2019, the commencement of depreciation charges together with continued IT investment to develop digital and analytics capability is expected to lead to an increase in the incremental income statement expense. The Board expects to be able to manage these costs consistent with the Group's targeted growth and RoNAV objectives.

In addition, the Group is focusing on (i) investing in efficiency improvements via automation, robotics and machine learning; (ii) embedding information security into operating processes and solutions; and (iii) skill developments especially in digital data and advanced analytics.

The Group benchmarks its IT cost efficiency, IT governance maturity and cyber security maturity frequently to ensure it remains competitive to global norms.

#### 14. Financial Institution Insurance Owned by the Group

Following the announcement of the Managed Separation in March 2016, the Group put stand-alone cover in place for itself in the 2017 financial year. The Group's actual coverage is bespoke and annually refined. The Group aims to ensure the markets retain and enhance their positive view of the Group through strong and conservative risk management and quick corrective action when losses do occur.

The Group has Professional Indemnity and Fidelity cover primarily insured in the London market with a limit in excess of R3 billion for each claim or loss, and an annually aggregated limit of twice that amount. The Group's captive insurance company provides a primary cover per loss limited to R86.5 million, and an annual aggregate limit of R173 million. All of the Group's subsidiaries (defined as having a controlling shareholding or controlling the board of such subsidiary) are included in the cover. None of the subsidiaries are out of scope, with the exception of Nedbank, which has separate insurance arrangements in place. Joint ventures are also in-scope; however, these are typically dealt with based on individual circumstances and the requirements of the co-owners.

The Group also has cyber liability coverage, including for consequential losses, at a lower limit than the Professional Indemnity and Fidelity cover for which it monitors exposure closely. Property damage and consequential loss covers the Group's large property holdings. The Group has procured public offering securities insurance ahead of the Admissions to ensure risk associated with the Admissions are appropriately ring-fenced, to the extent possible.

#### 15. Employees

As at 31 December 2017, the Group (excluding Nedbank) had 31,477 employees across its 7 operational segments and its Group activities. The following table sets out the breakdown of the Group's employees (excluding Nedbank) by segment.

Mass and Foundation Cluster	9,652
Personal Finance	3,620
Wealth and Investments	1,099
Old Mutual Corporate	294
Old Mutual Insure	3,159
Rest of Africa	7,885
LatAm and Asia	1,062
Enabling functions <sup>(1)</sup>	4,706
<b>Total Employees<sup>(2)</sup></b>	<b>31,477</b>

**Notes:**

1. Includes customer solutions, capability cluster (IT and service centre), Africa operations, Group finance, internal audit, human resources, Masisizane Fund, the governance cluster, and other functions.
2. The average number of temporary employees of the Group during the financial year ended 31 December 2017 was 5,454.

##### 15.1 Talent management and development

The Group recognises that investing in people is key to its growth ambitions, and to delivering innovative solutions to customers. Recognised as a Top Employer in South Africa and across the African continent, the Group has invested heavily in the growth of the next generation of leaders, developing both specialist, technical and leadership competencies.

Differentiated development programmes are in place and include a focus on:

- Women in Insurance Mentorship;
- Actuarial Development, a leading programme that invests in the training and growth of actuarial talent;



- the Old Mutual Chartered Accountant Training Programme, which has successfully developed chartered accountants over the past 15 years;
- an Analyst Development Programme, which focuses on developing Investment Professionals;
- a Long-Term Investment Leadership Development Programme; and
- a Graduate Development Programme which provides previously unemployed graduates with formal on-the-job-training, with a potential for placement in a full-time employment role with the Group.

The Board also believes in the importance of developing talent through formal business and leadership programmes, and offers executives the opportunity to attend specific global programmes at Harvard Business School, INSEAD and London Business School.

The Group also invests significantly in the training and development of its intermediaries. New tied financial advisers receive general training on the financial services industry as well as focused training to develop advisory skills and product knowledge, which ensures the most appropriate advice and solutions for customers. In addition to classroom-based training, line managers provide on-the-job coaching to transfer practical skills and monitor development. The Group also provides the necessary regulatory training to ensure that advisers meet fit and proper requirements. Continuous learning initiatives targeted at existing intermediaries ensure that this key customer touch point is able to perform competently and effectively.

For further detail on the Group's employee value proposition, please refer to "Part VI – Business of the Group – Transformation".

## 16. Transformation

In line with its vision of becoming its customers' most trusted partner, the Group has adopted Responsible Business principles as a shared value approach to driving inclusive, broad-based socio-economic transformation and being an adviser of long-term, sustainable and inclusive economic development. This is underpinned by its belief that, over the longer term, creating value for society is the most sustainable way to create value for shareholders and this is a core principle for shared value.

In South Africa, the Group's contribution to transformation is formally assessed against the Amended FSC. The Amended FSC is a binding legal framework against which the empowerment progress of the financial sector is measured. For further information on the Amended FSC and B-BBEE in South Africa, see "Part VII – Regulatory Considerations – South Africa – Black Economic Empowerment" as well as Annexe 15 to this Pre-listing Statement. The Group's compliance with the Amended FSC and the Company's broader commitment to transformation shall be overseen by the office of the CEO.

### 16.1 B-BBEE shareholding

Old Mutual plc implemented a B-BBEE transaction in 2005, together with Old Mutual Insure (which was separately listed as Mutual & Federal at the time) and Nedbank, to increase the effective black South African shareholding in its South African businesses. These transactions involved the issue of new Old Mutual plc Shares, Mutual & Federal (now Old Mutual Insure) and Nedbank shares to various share trusts for the benefit of black South African employees within the Old Mutual plc Group and to a number of black-controlled entities beneficially owned by black clients, distributors, community groups and business partners. The Old Mutual plc shares issued (5.6% of the Old Mutual plc issued shares), at the time, were equivalent to 13.48% (R7.1 billion) of the value of OMSA. This excluded Mutual & Federal which issued 11% of its shares and Nedbank which issued 11.5% of the value of its South African business at the time in their respective B-BBEE transactions.

The Old Mutual plc B-BBEE transaction matured, after 10 years, in the 2015 financial year, creating net value of over R7.9 billion (measured at maturity of the transaction), for OMSA and Mutual & Federal (now Old Mutual Insure) B-BBEE shareholders, benefitting more than 3.7 million previously disadvantaged individuals. OMSA's 9,000 black employees and managers realised R4.6 billion in net value through share allocations, approximately 60% of the total net value created. In addition, OMSA has also facilitated the creation of net value of R16 billion between 2005 and 2015 by providing commercial funding to third party B-BBEE transactions.

Whereas the Group previously reported its B-BBEE shareholding at the operating entity level (eg OMLACSA), the Company, as a South African primary listed entity, will report the Group's consolidated B-BBEE contributor status and its B-BBEE shareholding for the first time as at 31 December 2018. The Group B-BBEE shareholding will also be impacted by the terms of the Amended FSC (which are expected to impact the entire financial services industry) as well as by the Transactions giving effect to the Managed Separation, when compared to the Group's B-BBEE credentials that have been reported previously.

The Group maintained a Level 2 B-BBEE contributor status for the 8 consecutive years ended 31 December 2016. Under the Amended FSC the Group reported, as at 31 December 2017, a Level 3 B-BBEE contributor status and a reduced B-BBEE shareholding of 21.5%. The reduction in contributor status and B-BBEE shareholding in the 2017 financial year is due to the application of the Amended FSC, which requires a change in the methodology used to determine the value of OMSA.

The Group estimates that, subsequent to the implementation of the Managed Separation, its effective B-BBEE shareholding (which will be measured for the first time as at 31 December 2018) may increase but may remain marginally below the current Amended FSC target of 25%. However, this remains subject to change, and the Company will have greater clarity only once its share register settles, which is anticipated to be prior to the Nedbank Unbundling. In terms of the provisions of the Framework Agreement, and in acknowledgement of the potential impact this could have on the Group's ability to procure new business or a potential loss of business or good standing with public and private sector customers, the Company has committed to restoring its B-BBEE shareholding, if required, to at least 25% in 3 years from the Admission Date and to be best in class when measured against comparable competitors within 5 years (measured on the Admission Date). The Group will consider the form and extent of any appropriate B-BBEE transactions, should they be required, to achieve these targets, based on the end-state of its share register, after completion of Managed Separation. For further information on the Framework Agreement, see Annex 15 to this Pre-listing Statement.

## 16.2 **Responsible to employees**

In order to deliver on its strategic priorities, the Group ensures that it has the best personnel and skills to successfully compete in its chosen strategies. The people strategy is therefore focused on attracting, developing and retaining talent; and transforming the business to ensure diversity and inclusion across the workplace. There is also a focus on ensuring alignment of employee, shareholder and other stakeholder interests, with an emphasis on the creation of sustainable longer-term value for all stakeholders.

The Group has an employee value proposition that ensures competitive reward, differentiated talent plans and career development, focused on creating a culture that drives high performance and innovation. Employees contribute materially to the communities in which they live, and the Group's Responsible Business and Corporate Social Investment is driven heavily through involvement in initiatives like Staff Volunteerism, Payroll Giving, and the Care and Share programmes.

The Group recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. In this regard, the Board has adopted the Appointment and Board Diversity Policy. For further information, see "Part VIII – Management and Corporate Governance – Corporate Governance – Appointment and Board Diversity Policy".

## 16.3 **Responsible to communities**

The Group's investment in communities covers focus areas including education, financial education, community development, employee volunteerism and skills development. Initiatives are often implemented through collaboration with key execution partners, such as local government and non-governmental organisations ("NGOs"). The selection of focus areas across the countries is largely informed by prevailing social issues and stakeholder concerns. As at 31 December 2017, the Group invested R163 million in initiatives across these focus areas, with a significant portion of this invested in South Africa. In South Africa, the Group is recognised by other corporates and NGOs as one of the top 10 corporates for the past 5 consecutive years in its developmental impact.<sup>22</sup>

The Group recognises the important role of strong education systems, together with entrepreneurship and the development of small, medium and micro enterprises ("SMME") in sustainable job creation. In 2013, the Group launched its largest education project in South Africa, the "Old Mutual Education Flagship programme", as a 7-year initiative with an investment of R350 million. The key objective of the programme is to improve student outcomes by focusing on leadership development among school management and supporting teachers in the areas of mathematics and science. The programme is implemented in collaboration with the Department of Basic Education and other key learning institutions and service providers. Outside of the flagship programme, the Group also provides a range of bursaries and scholarships to students to obtain a higher education qualification. In South Africa, the Group's 3 primary bursary schemes collectively funded 130 students in various fields of study and in various institutions of learning during 2017.

The Group supports employee volunteerism in community initiatives across its operating segments. Through the Staff Payroll Giving programme employees can contribute a portion of their salary towards their preferred social causes, and the Group further matches all staff donations Rand-for-Rand. Employees who volunteer in their private time at non-profit organisations and NGOs receive financial support through the Staff Community Builder for the benefit of the organisation at which they volunteer. The Group's Care and Share programme provides employees with a day's social responsibility leave to engage in company-organised community initiatives, such as building low-cost housing in vulnerable communities.

Following the maturity of its BEE transaction in the 2015 financial year, the Group committed R100 million to support initiatives in line with South Africa's National Development Plan, together with its B-BBEE partners, WIPHOLD Investment Portfolio Holdings Limited and NGO Trust, Brimstone Investment Corporation Limited and Izingwe Capital Proprietary Limited. As at 31 December 2017, the Group had committed to invest R133 million in supplier and enterprise development programmes that seek to promote and facilitate the development of black-owned enterprises in South Africa. As part of the Framework Agreement concluded by OMGH on behalf

<sup>22</sup> *The Business in Society Handbook*, Trialogue.

of the Group, it has undertaken to allocate an incremental amount of R500 million to a ring-fenced Enterprise Supplier Development Fund. It is envisaged that the fund will provide loan funding to small enterprises on behalf of the Group to promote enterprise and supplier development. This is in addition to existing programmes already underway. The fund will aim to create additional jobs in the Company Ecosystem. For further information on the Framework Agreement, see Annexe 15 to this Pre-listing Statement.

#### 16.4 ***Responsible to the environment***

As part of improving the way it manages its environmental impact, the Group is focusing on reducing energy consumption, waste production, water usage, and business travel. Given the nature of the Group's business, its most material, direct environmental impacts are through its 2 principal immovable properties in Sandton and Pinelands. Both properties have been rated five-star Green Star status by the Green Building Council of South Africa. The Pinelands offices are recognised as the largest, existing office building in South Africa to achieve this rating. In 2016, the Group installed the largest solar carport in South Africa at these offices to help reduce carbon emissions. The installation consists of 3,600 solar panels which generate 3.5 megawatts, reducing the building's energy consumption by up to 8%. In response to the worst drought that the Western Cape province has experienced in years, the Group has implemented a range of initiatives that has reduced its water consumption by up to 35% since 2016. A water filtration project is also underway, and will be operational by July 2018. This will result in the Pinelands office being "off grid" in terms of water, by recycling all of its waste water to drinking standards and supplementing its supply from other non-potable sources to ensure zero impact to the environment.

The Group is also supporting a resource efficient and low carbon economy through its Wealth and Investments segment. For further information on this, please see "Part VI – Business of the Group – Strategy – Responsible Business".

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## PART VII

### REGULATORY CONSIDERATIONS

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*On 15 March 2018, OMSA and Lily Purchaser entered into the OMLAH SPA and AIVA SPA, in terms of which, inter alia, OMSA will dispose of its interests in OMLAH (ie Colombia and Mexico) and AIVA, including their direct and indirect subsidiaries and subsidiary undertakings, through which the Group's businesses in Latin America are currently conducted. These agreements are subject to certain conditions precedent, including obtaining the required regulatory approvals in the relevant jurisdictions. For further information on the transaction, please see "Part XX Additional Information – Disposal of Property" and "Part XX – Additional Information – Material Contracts". On implementation of these transactions, the Group will no longer have any operations in Latin America.*

#### 1. South Africa

##### 1.1 Introduction

The Group's regulated entities are subject to oversight and monitoring by regulatory authorities, as well as substantive legal and regulatory requirements. In addition to the general corporate and commercial law regimes (including the Companies Act and the South African Competition Act, 89 of 1998 (as amended) ("Competition Act")), the Group is subject to comprehensive insurance, investment management, banking, pension and other financial services laws and regulations, and to supervision by many regulatory authorities that have broad administrative and discretionary power over the Group. Amongst others, the laws and regulations to which the Group is subject relate to capital adequacy requirements, liquidity requirements, permitted investments, the distribution of dividends, product and sales suitability, product distribution, payment processing, employment practices, remuneration, ethical standards, anti-money laundering, anti-terrorism measures, prohibited transactions with countries and individuals that are subject to sanctions or otherwise blacklisted, anti-corruption, privacy and confidentiality, record keeping and financial reporting, price controls, tax, competition and exchange controls.

The material regulations to which the Group is subject are summarised below.

##### 1.2 Twin Peaks and regulatory reform

The implementation of the so-called "Twin Peaks" model of financial regulation in South Africa enacted in terms of the FSR Act will result in the establishment of 2 regulators, namely, the Prudential Authority within the SARB, and the Financial Sector Conduct Authority. The Prudential Authority's objective is to promote and enhance the safety and soundness of financial institutions that provide financial products and securities services, promote and enhance the safety and soundness of market infrastructures, protect financial customers against the risk that financial institutions may fail to meet their obligations, and assist in maintaining financial stability. The Financial Sector Conduct Authority's objectives are to enhance and support the efficiency and integrity of financial markets, protect financial customers, and assist in maintaining financial stability.

The restructuring of the regulatory environment for financial institutions will result in dual-regulated entities, being both prudential and market conduct regulation by the Prudential Authority and Financial Sector Conduct Authority, respectively. Under the new "Twin Peaks" dispensation, the Company's dual-regulated subsidiaries are subject to increased regulation and supervision by more than 1 regulator.

The FSR Act introduces insurance and banking group, as well as financial conglomerate regulation into the South African financial services regulatory framework. Previously, financial institutions were regulated only at a financial institution entity level. The Prudential Authority is granted discretionary powers to designate a group of companies or members of a group of companies as a "financial conglomerate". The Prudential Authority is also afforded wide-ranging legislative powers and may direct the designated holding company of a financial conglomerate to take specific actions and may issue prudential standards that must be complied with by holding companies of financial conglomerates and members of the financial conglomerate. These prudential standards can relate to: financial or other exposures of companies within the financial conglomerate and the governance and management arrangements for holding companies of financial conglomerates, reporting the governance and management arrangements for holding companies of financial conglomerates, and reducing or managing risks to the safety and soundness of members of the financial conglomerate. Such prudential standards can also relate to financial soundness requirements, including requirements in relation to capital adequacy, minimum liquidity and minimum asset quality.

The Insurance Act will also impact the regulation of insurance companies in the Group and will introduce regulation for so-called "controlling companies". Much like the powers afforded to the Prudential Authority in terms of the FSR Act, the Insurance Act also empowers the Prudential Authority to issue standards which may be applicable to insurers, controlling companies, key persons and significant owners. Over and above the Prudential Authority's general powers to prescribe the minimum capital requirements or solvency capital requirements for an insurer, it may also direct a capital add-on for an insurer or an insurance group in certain circumstances. As such, the Group may be required to increase its capital reserves for certain insurers if so directed by the Prudential

Authority. Currently, solvency and capital requirements are specified in terms of the existing regulatory regime for insurers in South Africa (in addition to the South African requirements, the South African insurance businesses of the Group are also subject to the solvency and capital requirements under the Solvency II regime).

The new SAM regime will become effective upon the implementation of the Insurance Act and will impose more stringent regulatory requirements on both long-term and short-term insurers, requiring them to maintain adequate solvency capital based on risks faced on a day-to-day basis, expected mid-2018. The South African registered insurer entities of the Group are directly subject to compliance with the revised solvency capital regulatory requirements, while the consolidated supervision rules and related group capital requirements need to be complied with across the Group. Maintaining higher capital solvency may result in restrictions on maintaining and developing the business or limitations on the Group's ability to pay dividends. For example, the Group could be subject to monthly reporting requirements if the capital adequacy requirements ratio of 1 of its subsidiaries deteriorates.

Further capital requirements for insurers and insurance groups are set out in draft prudential standards which will be applicable to insurers. These prudential standards will require insurers to conduct their own risk and solvency assessment annually, when the insurer's risk profile changes materially, or when directed by the Prudential Authority to do so. The purpose for an insurer to conduct its own risk and solvency assessment is for the insurer to identify risks and to ensure that the insurer is adequately capitalised and has access to additional sources of capital if needed, to deal with a wide range of scenarios.

The Prudential Authority's regulatory powers extend beyond prescribing capital requirements. It is also empowered to prescribe licensing conditions to financial institutions and may direct an insurer, its controlling company and/or the holding company of a financial conglomerate, to make changes to its governance arrangements, which extends to the removal and appointment of key individuals and directing the reorganisation of the Group. The FSR Act also places restrictions on the outsourcing of certain functions of a financial institution (which includes the holding company of a financial conglomerate) and may, in certain circumstances, require the contractor (entity performing the outsourced function) to be licensed.

Aside from the FSR Act which establishes the "Twin Peaks" dispensation and increasing insurance group regulation in terms of the Insurance Act, there are also several anticipated amendments to existing legislation which governs several subsidiaries of the Group. These proposed changes arise both from the shift to the "Twin Peaks" dispensation as well as a change in regulatory approach from a rules-based form of regulation to a principles-based approach. The shift to a principle-based approach is based on the adoption of 2 non-legal regulatory regimes, namely Treating Customers Fairly (an outcomes-based regulatory and supervisory approach designed to ensure that specific, clearly articulated fairness outcomes for financial services consumers are delivered by regulatory firms) and the retail distribution review (proposed substantive reforms to the regulatory framework for financial advice and for distribution of financial products to customers).

In March 2011, the FSB issued a guidance document to the industry known as the "Treating Customers Fairly Roadmap." Since publication of the Treating Customers Fairly Roadmap, a number of updates have been provided by the FSB in respect of its move towards the implementation of the fair treatment regime, elements of which are inextricably linked to the "Twin Peaks" dispensation.

In essence, the fair treatment regime aims to introduce concrete market conduct standards for greater consumer protection in the financial services sector, with the framework being based on 6 explicit customer fairness outcomes, namely that relate to culture, targeting customer groups, information, advice, delivery and post-sale treatment. Compliance with the Treating Customers Fairly Roadmap requires financial services firms to be able to show that the concept of fair customer treatment is firmly embedded into the firm's culture across all levels (and at all stages of the customer relationship), to identify and manage risks to unfair consumer treatment and to demonstrate concrete improvements in customer service and satisfaction. Firms will further be required to have controls and measures in place in order to evidence true delivery of the 6 fairness outcomes.

The retail distribution review regime was published in December 2014 with further updates in December 2015 and December 2016. The retail distribution review comprises 55 proposals which are aimed at reforming, amongst other things, the relationships between product suppliers (such as insurers), financial advisers and customers. The retail distribution review has potentially profound effects on the intermediated market, challenging the business models of brokers who rely on administration and insurer outsourcing fees in addition to the legislated caps on broker commission.

Together, the outcomes for the Treating Customers Fairly Roadmap and the proposals in the retail distribution review form the basis for the anticipated reforms to numerous financial sector statutes and regulations, as demonstrated below.

### 1.3 **FAIS Act**

The FAIS Act is the primary legislation governing the financial services industry in South Africa.

The FAIS Act requires all persons or entities seeking to provide "financial services" (which comprises advice, intermediary services or both) in respect of a broad spectrum of financial products to customers or prospective customers in South Africa, to be formally registered and licensed as financial services providers.

Once licensed, the FAIS Act and its subordinate legislation (including formal codes) impose a number of ongoing compliance requirements (including solvency requirements) and restrictions on financial services providers. The FAIS Act requires financial services providers to report extensively on an annual basis.

A number of entities within the Group are licensed as financial services providers under the FAIS Act. Each of these entities is accordingly bound in its business operations by the FAIS Act and its subordinate legislation.

It is anticipated that the FAIS Act will be progressively amended in line with the Treating Customers Fairly Roadmap and the retail distribution review proposals and will eventually be repealed by the South African Conduct of Financial Institutions Bill. During this transitional period, regulatory uncertainty may increase.

#### 1.4 **NCA**

The South African National Credit Act, 34 of 2005 (as amended) ("NCA") is the primary legislation governing the extension of retail (ie consumer) credit in South Africa. The NCA (which is enforced by the National Credit Regulator (the "NCR")) imposes a number of fairly onerous initial and ongoing compliance obligations on credit providers who enter into agreements or arrangements with consumers in respect of which the NCA applies. Recent changes to the NCA require all credit providers to be registered with the NCR.

A number of entities within the Group are registered as credit providers under the NCA. Each of these entities is accordingly bound in its business operations by the NCA and its subordinate legislation.

Prior to concluding a credit agreement with consumers, the NCA requires credit providers to undertake affordability assessments. As part of this process, the credit provider is required to assess the consumer's existing means, prospects and obligations with a view to ascertaining whether or not the consumer can actually afford the loan. A failure to undertake this process properly could compromise the credit provider's ability to enforce payment of the loan.

The NCA imposes interest-rate caps on all types of credit agreements. The NCA also limits the ability of the credit provider to pass on the costs relating to the credit agreement to the consumer and also regulates the granting of credit life and other forms of insurance relating to credit agreements. The relevant regulations are subject to constant change.

In this regard, it is particularly important to note that the NCR recently introduced new maximum interest rate caps for unsecured and short-term loans which have had the effect that consumers are paying less interest for these types of loans than before (fees like initiation fees and service fees have, however, been increased). These new interest rate caps are generally expected to have a negative effect on the profitability of lenders.

A draft National Credit Amendment Bill was published for public comment towards the end of 2017. Written comments on the Bill were due by 15 January 2018. The draft Bill permits a person who, as at a specified date, earns less than R7,500 per month and who owes less than R50,000 in unsecured debt relating to credit agreements, to make an application to the NCR for debt intervention. The Bill further provides that, if the NCR is of the view that the applicant requires assistance, a single member of the National Credit Tribunal can suspend all qualifying credit agreements in part or in full for a period of 12 months. If the financial circumstances of the applicant do not improve, the National Credit Tribunal can declare the debt under the qualifying credit agreements extinguished.

#### 1.5 **STI Act**

The STI Act regulates the short-term insurance industry in South Africa, requiring the formal registration of short-term insurers and constitutes the primary statutory framework for such insurers following registration.

The STI Act will be repealed, at least in part, by the Insurance Act. The Insurance Act will regulate the prudential supervision of short-term insurers while the provisions in the STI Act relating to market conduct considerations will be retained. The remaining market conduct provisions will eventually be repealed by the South African Conduct of Financial Institutions Bill once promulgated.

#### 1.6 **LTI Act**

The LTI Act regulates the long-term insurance industry in South Africa, requiring the formal registration of long-term insurers and constitutes the primary statutory framework for such insurers following registration.

The LTI Act will be repealed, at least in part, by the Insurance Act. The Insurance Act will regulate the prudential supervision of long-term insurers while the provisions in the LTI Act relating to market conduct considerations will be retained. The remaining market conduct provisions will eventually be repealed by the South African Conduct of Financial Institutions Bill once promulgated.

### 1.7 **Banking regulatory framework (Basel III)**

The Group's banking subsidiary, Nedbank, is subject to extensive and detailed banking laws and regulations, including the Banks Act, and is subject to supervision by the Prudential Authority. The Prudential Authority referred to above will take over the role and functions previously performed by the Registrar of Banks, once the legislative changes envisaged under the FSR Act referred to above in the paragraph headed "Twin Peaks and regulatory reform" come into effect.

In addition to various rules relating to conduct and other matters, Nedbank is subject to the capital and liquidity requirements set out in the regulations promulgated under the Banks Act. According to the Prudential Authority, these regulations (which are in line with the Basel III framework) essentially address both bank-specific and broader systemic risks by:

- raising the quality of banks' capital, with a focus on common equity and the quantity of capital to ensure banks are better able to absorb losses;
- enhancing the risk coverage of the regulatory framework, including exposures related to counterparty credit risk;
- introducing capital buffers which should be built up in prosperous times so that they can be drawn down during periods of stress;
- introducing a leverage ratio to serve as a backstop to the risk-based capital requirement and to prevent the build-up of excessive leverage in the financial system;
- raising standards for supervision and risk management (pillar 2 of Basel III) and public disclosures (pillar 3 of Basel III);
- introducing the monitoring of proposed minimum liquidity standards to improve banks' resilience to acute short-term stress and to improve longer-term funding; and
- introducing additional capital buffers for the most systemically important institutions to address the issue of such institutions being "too big to fail".

The implementation period for several of the Basel III requirements that were incorporated into the regulations commenced on 1 January 2013 and includes transitional arrangements which will be phased in until 1 January 2019.

Subsequent to the implementation of Basel III in South Africa, the Basel Committee (as defined in Annexe 18 to this Pre-listing Statement) issued various further or revised requirements in respect of a wide range of matters that required amendments to the existing regulations, including:

- capital disclosure requirements;
- revisions to the liquidity coverage ratio;
- liquidity disclosure requirements (liquidity coverage ratio-related disclosures);
- requirements related to intra-day liquidity management; and
- public disclosure requirements related to the leverage ratio.

If Nedbank breaches, or is at risk of breaching any of the regulatory capital requirements to which it is subject, Nedbank has a SARB approved recovery plan which it can invoke to address problems, and as a last resort the Prudential Authority may require the Group to take remedial actions.

### 1.8 **FICA**

FICA is South Africa's main anti-money laundering legislation.

FICA imposes the majority of its key obligations on "accountable institutions", which are entities that have been designated as such under Schedule 1 to FICA and include, *inter alia*, banks and financial service providers. Accountable institutions are required (amongst other obligations) to formally register as such with the Financial Intelligence Centre ("FIC"), to identify and verify the identity of their customers in the prescribed manner, to report certain transactions or business dealings to the FIC, and to keep records of customer relationships and transactions in the prescribed manner and for the prescribed period. In addition to the obligations imposed by FICA on accountable institutions, FICA further requires any person conducting or involved with the conduct of any business to report suspicious and unusual transactions to the FIC.

The Financial Intelligence Centre Amendment Act, 1 of 2017 (as amended) ("FICA Amendment Act") was signed into law by the President of South Africa on 26 April 2017 and gazetted on 2 May 2017. Significant parts of the FICA Amendment Act entered into effect on 2 October 2017 but the provisions relating to the enhanced powers of the FIC to impose sanctions are not yet operative. The FIC has indicated that sanctioning of non-compliance with the new requirements will be delayed in order to allow accountable institutions sufficient time to make the necessary adjustments to transition into the new regulatory environment (which will expose accountable institutions to increased regulatory risk) and that it will engage with accountable institutions to set clear milestones for achieving full compliance and timeframes on a priority-based and incremental manner. It is currently anticipated that the FIC will expect accountable institutions to be in full compliance with the FICA Amendment Act by the beginning of April 2019.

The FICA Amendment Act introduces the following new concepts and approaches to the implementation of FICA, among others:

- a fuller range of customer due diligence requirements which are focussed on understanding customers better, rather than simply identifying and verifying their identities;
- the need to obtain information relating to the beneficial ownership of customers which requires accountable institutions to know and understand the natural persons who ultimately own or exercise control over legal entities or structures;
- the introduction of the concepts of prominent (influential) persons and politically exposed persons which requires accountable institutions to better manage risks relating to relationships with prominent persons; and
- the introduction of a new asset freezing regime which makes provision for targeted financial sanctions to be instituted against persons identified in resolutions issued by the United Nations Security Council.

A number of entities within the Group are “accountable institutions” and will need to comply with FICA.

#### 1.9 **PFA**

Under South African law, all retirement funds (other than certain statutory or public service funds) must be registered under the South African Pension Funds Act, 24 of 1956 (“PFA”). Upon registration they obtain juristic personality, and become corporate entities independent of their founder or participating employers and members. Only registered retirement funds may conduct a retirement fund business in South Africa.

As part of the regulatory reforms highlighted above under the paragraphs titled “Twin Peaks and regulatory reform” and “PFA”, it is anticipated that the PFA will also be repealed (either in whole or in part) in the near future, therefore potentially impacting the business of the Group.

#### 1.10 **Collective Investment Schemes Control Act**

A number of entities within the Group are registered as managers under the South African Collective Investment Schemes Control Act, 45 of 2002 (as amended) (“Collective Investment Schemes Control Act”). Each of these entities is accordingly bound in its business operations by the Collective Investment Schemes Control Act and its subordinate legislation.

It has been proposed that the Collective Investment Schemes Control Act will be repealed (in whole or in part) and will be replaced by the South African Conduct of Financial Institutions Bill. It is anticipated that expected amendments will be designed to ensure that regulated collective investment schemes are available legally to investors and are conducted in a sound manner in the interests of investor protection. Such legislative amendments may impact the Group’s business, operations and financial conditions.

#### 1.11 **Data protection**

Data protection in South Africa will be regulated under the POPI Act once the POPI Act, which was signed into law on 19 November 2013, becomes wholly operational. Certain non-operative provisions of the POPI Act came into force on 11 April 2014 and the office of the Information Regulator became functional on 1 December 2016. However, the operative provisions of the POPI Act will become effective on a date to be proclaimed by the President of South Africa in the Government Gazette. Companies will be given at least a year’s grace period to comply with the POPI Act after all provisions becoming operative.

The POPI Act is a comprehensive privacy and data protection statute, which will impose obligations on any companies (“data controllers” (with a data controller being referred to in the POPI Act as a “responsible party”)) which collect and hold certain types of personal information relating to individuals (including customers and employees) and in certain cases legal entities. It will accordingly apply to all South African members of the Group.

Over and above the data protection requirements in the POPI Act, the draft Prudential Standard GOI 3: Risk Management and Internal Controls for Insurers (“Risk Management Prudential Standard”) requires insurers to have an IT Policy which must address cyber security risk and data privacy risk. On 15 May 2017, the SARB issued Guidance Note G4/2017 dealing with cyber resilience to banks. The purpose of the guidance note was to bring to the attention of banks the latest international best practice relating to cyber resilience. The guidance note states that the SARB will continually review the processes and policies of banks, to assess their appropriateness and may require relevant banks to strengthen their risk management processes or policies or to hold additional capital.

The EU General Data Protection Regulation has implications on countries outside the EU, including South Africa. It applies to any organisation that holds or processes data of EU citizens and includes companies that have employees in the EU, sell or market products or services in the EU, or partner with EU organisations.



### 1.12 **Black Economic Empowerment**

B-BBEE is a policy of the South African Government, which is aimed at increasing participation by Black People in economic activities. The B-BBEE Act is the primary legislation through which this B-BBEE policy is implemented. In terms of the B-BBEE Act, B-BBEE consists of measures and initiatives that are aimed at increasing levels of equity ownership by Black People in businesses operating in South Africa, increasing the number of Black People who participate in management roles in business, improving the skills of black employees, assisting small and medium businesses that are majority-owned by Black People, and procuring goods and services from businesses that are good contributors to B-BBEE and corporate social investment.

The Minister of Trade and Industry has published various codes, including certain sector-specific codes, under the B-BBEE Act. These codes set out the details of how B-BBEE scores are measured on each of the different elements, namely ownership, management control, skills development, enterprise and supplier development and socio-economic development. Companies are scored in terms of a scorecard set out in the codes on the extent to which they meet the specified targets. General, non-sector specific codes (ie the general codes) were first published under the B-BBEE Act in 2007. A revised version of these general codes was published in 2013 and came into effect in May 2015.

The B-BBEE Act also makes provision for the publication of sectoral charters and codes to regulate the implementation of B-BBEE in a particular sector. A sector code published under section 9 of the B-BBEE Act is itself a code that is binding and that must be applied by all businesses operating in the relevant sector. Such sector codes are required to impose targets that are in accordance with the general codes, although they can deviate from the targets set out in the general codes.

One such sectoral code, published under Section 9 of the B-BBEE Act, is the Amended FSC, which applies to the Group. The Amended FSC was published on 1 December 2017 and replaced the Financial Sector Code published in 2012. The Amended FSC contains significant changes when compared to the old FSC, which may impact the B-BBEE ratings of various participants in the financial services industry, including OMLACSA and the Company. The Amended FSC is a binding legal framework against which the empowerment progress of the financial services sector is measured.

The Amended FSC applies to all financial services firms and has set targets in core categories, which (when weighted) make up the scorecard against which financial institutions are rated each year. The scorecard in the Amended FSC measures B-BBEE compliance in the categories of ownership, management control, skills development, procurement and enterprise and supplier development, socio-economic development and consumer education, empowerment financing and access to financial services. A business then scores points on a pro-rated basis in relation to its achievement of the relevant target. The Group's B-BBEE status is verified by AQRate verification services, a leading empowerment rating agency in South Africa.

In addition to the B-BBEE Act, other legislation which imposes related requirements aimed at increasing participation by Black People and which is applicable to the Group includes:

- the Preferential Procurement Policy Framework Act, 5 of 2000 (as amended), which sets out the approach that must be taken by Government departments and agencies in taking B-BBEE into account when making procurement decisions; and
- the Employment Equity Act, 55 of 1998 (as amended), which requires designated employers to submit employee equity plans to the Department of Labour and to act in accordance with those plans in their hiring activities.

### 1.13 **Corporate Law**

Publicly listed companies incorporated in South Africa are regulated by, *inter alia*, the Companies Act, the South African Financial Markets Act, 19 of 2012 (as amended) ("FMA"), the JSE Listings Requirements and the King Code. In this regard, the Companies Act regulates the incorporation, registration, management and reporting requirements applicable to companies including requirements applicable to corporate actions such as acquisitions, disposals, financial assistance, share transactions and insolvencies.

Listed companies and/or companies operating within the financial markets sector are regulated by the FMA which regulates and controls exchanges and the trading of securities. The FMA, *inter alia*, aims to reduce systemic risk by regulating market abuse and market manipulation while promoting international competitiveness.

Companies listed on the JSE must comply with the JSE Listings Requirements which regulate the relationship between the JSE and the issuer of listed securities and sets out the JSE's requirements in respect of such issuers. In this regard, the JSE Listings Requirements regulate, *inter alia*, the methods of listing securities on the exchange, the conditions for listings and an issuer's continuing obligations while listed and certain corporate action.

For further information please see "Part XX – Additional Information – Summary of the Company MOI and Certain Explanatory Statements in Respect of Applicable Law and Regulation Affecting Shareholders".

### 1.14 **Competition Law**

The Competition Act regulates competition and uncompetitive behaviour in South Africa. Broadly speaking, the Competition Act deals with both prohibited practices and merger control. Prohibited practices include anti-competitive agreements and practices between competitors, as well as decisions by associations of competitors, such as price fixing. Dominant firms are also prohibited from abusing their position of dominance in terms of the Competition Act. With regard to merger control, qualifying mergers and acquisitions must be approved by the relevant competition authorities.

## 2. **Rest of Africa**

The Group conducts business in various African jurisdictions including Malawi, Nigeria, Namibia, Swaziland, Zimbabwe, Kenya, Uganda, Tanzania, Rwanda, South Sudan, Botswana and Ghana, and is therefore subject to the laws and regulations of such jurisdictions. Generally, as financial services businesses operating in these jurisdictions, the businesses are subject to comprehensive laws and regulations which include, *inter alia*, banking, compulsory motor vehicle insurance, the conduct of short-term and long-term insurance businesses (including solvency and capital adequacy requirements), asset management, the establishment of pension and provident funds, the establishment of collective investment schemes, limitations on permitted investments, anti-money laundering and know your customer requirements, data protection, consumer protection, conducting business and/or operating within the capital markets environment and establishing and operating a financial retail and microfinance institution, etc. In addition, entities subject to such laws and regulations would ordinarily be licensed in terms of applicable law, with regulatory non-compliance resulting in the imposition of penalties and/or the revocation of applicable licences.

In these jurisdictions, the Group entities are subject to the supervision of regulatory authorities that have broad administrative and discretionary powers in relation to the capacity to conduct their business (for example providing short-term insurance), corporate governance, risk management, solvency and capital adequacy requirements, and market conduct regulation. In addition, the regulators are largely autonomous and do not necessarily regulate the financial services industry consistently. However, as is the case in South Africa, there is a recent trend towards consolidating the regulatory matrix. These amendments to the regulatory regime in these jurisdictions may simplify or complicate the application of, or compliance with, the regulatory regime.

In particular, the following material regulatory considerations in respect of the various African jurisdictions in which the Group operates should be noted.

### 2.1 **Namibia**

The proposed Namibian Financial Institutions and Markets Bill ("FIM Bill") will repeal, consolidate and replace the Long-Term Insurance Act, 5 of 1998 (as amended), the Short-Term Insurance Act, 4 of 1998 (as amended), the Pension Funds Act, 24 of 1956 (as amended), the Unit Trust Control Act, 54 of 1981 (as amended), the Stock Exchanges Control Act, 1 of 1985 (as amended), the Medical Aids Funds Act 23 of 1995 (as amended), the Friendly Societies Act, 25 of 1956 (as amended) and will also repeal the Inspection of Financial Institutions Act, 38 of 1984 (as amended) and the Participation Bonds Act, 55 of 1981 (as amended). The FIM Bill will, *inter alia*, introduce subordinate legislation including prudential and market conduct standards and regulations. Once promulgated, the FIM Bill will also provide the Namibia Financial Institutions Supervisory Authority with stronger and more comprehensive enforcement powers. The objectives of the FIM Bill are to foster, *inter alia*, the financial soundness of financial institutions and financial intermediaries; the stability of the financial institutions and markets sector; the highest standards of conduct of business by financial institutions and financial intermediaries; the fairness, efficiency and orderliness of the financial institutions and markets sector; the protection of consumers of financial services; the promotion of public awareness and understanding of financial institutions and financial intermediaries; and the reduction and deterrence of financial crime. The FIM Bill will also introduce more stringent requirements in relation to tied selling; stringent regulation of the outsourcing of insurance functions; the regulation of intermediary remuneration and fair treatment of customers by intermediaries. The FIM Bill further aims to introduce a standard on capital adequacy requirements for registered insurers. Currently, there are no changes expected to the valuation of short-term insurance liabilities. A quantitative impact study is planned by the Namibia Financial Institutions Supervisory Authority to take place within the next 6 months.

The proposed New Equitable Economic Empowerment Framework ("NEEEF") provides for a subset of policies designed to encourage the private business sector to become more equitable and to make a greater contribution towards national economic empowerment and transformation. In this regard, the draft National Equitable Economic Empowerments Bill, 2015 ("NEEEF draft Bill"), made available to the public during February 2016, and a revision thereof during July 2016, sets out a 25% ownership requirement for ownership by previously disadvantaged Namibians.

The Namibian National Reinsurance Corporation Act, 22 of 1998 (as amended) ("Namibian Corporation Act") established a compulsory legislative cession of risk in respect of all policies held by insurers to the Namibian Reinsurance Corporation ("NamibRe"), a state-owned corporation which is mandated to provide reinsurance

services and to minimise the placement of insurance and reinsurance business outside Namibia for Namibian risks. In this regard, the Namibian Corporation Act is underpinned by 3 pillars: pillar I establishes the cession of a portion of the risk in respect of each insurance policy issued in Namibia or outside Namibia for Namibian risks to NamibRe; pillar II establishes the cession of a portion of the risk in respect of each reinsurance contract in Namibia or outside Namibia to NamibRe; and pillar III grants NamibRe a right of refusal to take on reinsurance business over and above the compulsory reinsurance to NamibRe. Regulations were issued on 29 December 2017 which will require that 20% of the value of each reinsurance contract and 12.5% of the value in respect of particular classes of short- and long-term insurance business, be ceded to NamibRe. The regulations also provide for exemption from the obligation to cede reinsurance to insurers carrying on certain classes of business. However, it should be noted that the regulations are subject to an action instituted in the High Court of Namibia requesting that the relevant provisions of the Namibian Corporation Act be declared unconstitutional.

In terms of a guideline issued in March 2015, government payroll deduction codes will only be awarded to entities that comply with the requirement of 51% Namibian ownership, of which 30% equity is owned by previously disadvantaged Namibian natural persons. This may impact materially on insurers dependent on government payroll deductions for premium collections.

The Namibian Investment Promotion Act, 9 of 2016 (as amended) ("NIPA") was promulgated on 31 August 2016, however, NIPA will only become effective after the Namibian Minister of Industrialisation, Trade and SME Development has issued regulations and determines that NIPA shall commence. There are no indications as to when this is expected to occur. NIPA seeks to *inter alia* provide a clear and transparent framework for investment in Namibia, establish the Namibia Investment Centre, the statutory body responsible for implementing the NIPA, promote foreign investment in Namibia and keep a register of Namibians and investors and their investments in accordance with the prescribed requirements, and provide for mediation as a dispute resolution method between foreign investors and the Namibian government. In addition, investors seeking to invest in Namibia, or that have invested in Namibia, must notify the relevant Minister of any changes in ownership or transfers of any licence, permit, authorisation or concession owned by the investor or the applicable investment vehicle. Furthermore, investors may not invest in Namibia, acquire any licence, permit, authorisation or concession in Namibia, through any form of merger, acquisition, direct or indirect sale or transfer without the approval of the relevant government minister.

The Namibian Microlending Bill proposes to establish a sound regulatory and supervisory framework in order to effectively regulate and supervise the microlending industry. Once enacted, it will regulate and supervise microlenders and ensure that they comply with the relevant provisions of the Namibian Usury Act, 73 of 1968 (as amended).

The Namibian Financial Intelligence Act, 13 of 2012 (as amended) provides for the establishment of the Financial Intelligence Centre as the national centre responsible for collecting, requesting, receiving and analysing suspicious transaction reports and suspicious activity reports which may relate to possible money laundering or the financing of terrorism and the combating of money laundering and financing of terrorism activities.

Section 36 of the Namibian Pension Funds Act, 24 of 1956 (as amended) authorises the Namibian Minister of Finance to make regulations, that may, *inter alia*, limit the amount which and the extent to which a fund may invest – (i) outside Namibia; (ii) in particular assets or in particular kind or categories of assets, prescribing the basis on which the limit shall be determined and defining the kinds of assets to which the limit applies. In this regard, at least (i) 35% of the market value of a fund's total assets must be invested in domestic assets, and (ii) 1.75% of the market value of a fund's investments must be invested in unlisted investments in Namibia, however, unlisted investments may cumulatively not exceed 3.5% of the market value of the fund's investments. Similar restrictions relating to registered insurers are contained in section 72(1)(n) of the Namibian Long-Term Insurance Act, 5 of 1998 (as amended).

## 2.2 **Swaziland**

The Swaziland Insurance Act, 7 of 2005 (as amended) (the "Swaziland Insurance Act"), together with the Insurance Directives and Regulations of 2008, provide that at least 25% of the issued shares of an insurer must be held by a person who (i) if a natural person, is a citizen of Swaziland, and (ii) if a juristic person, at least 51% of the issued voting shares of that person are owned by a Swazi citizen.

The Swaziland Securities Act, 2 of 2010 (as amended) stipulates that collective investment schemes should invest 50% of their AUM in the local economy. Similarly, the Financial Services Regulatory Authority ("FSRA") has issued a circular calling upon all insurers to reinsure at least 20% of their risk locally.

The Swaziland Financial Services Regulatory Authority Act, 2 of 2010 (as amended) established the FSRA, an integrated regulatory and supervisory authority for all non-bank financial services providers in Swaziland. During 2016, the FSRA issued circulars calling upon all insurers to re-insure at least 20% of their risk locally, prohibiting insurers from reinsuring with foreign reinsurers and to declare all business fronted to underwriters in other jurisdictions. The FSRA has also issued a minimum statutory capital circular (minimum capital adequacy requirements) in terms of which an insurer is required to maintain an unencumbered paid-up capital of E2 million. Insurers are required to deposit the prescribed minimum capital with any financial service provider who will thereafter issue a guarantee in favour of FSRA.

In terms of section 4 of the Swaziland Insurance Act, all foreign businesses should be transitioned to a domestic insurer which is a subsidiary of the foreign insurer, and has been registered in terms of the Swaziland Insurance Act. The registrar may grant an exemption from this section, after application by the affected insurer, in the form prescribed by the registrar, subject to such conditions as the registrar may impose from time to time.

The Swaziland Money Laundering and Financing of Terrorism Prevention (Amendment) Act, 7 of 2016 (as amended) is Swaziland's main anti-money laundering legislation, which seeks to suppress the financing of terrorism and which establishes a financial intelligence unit tasked with, *inter alia*, the forfeiture of ill-gotten property.

## 2.3 **Zimbabwe**

The Zimbabwean Indigenisation and Economic Empowerment Act, 14 of 2007 (as amended) ("EEA") requires every business with a NAV of USD500,000 to ensure that 51% of its shareholders are indigenous Zimbabweans. Old Mutual Zimbabwe submitted an initial plan outlining a 25% indigenised Zimbabwean ownership structure which was accepted and implemented. Hence further compliance with the EEA is subject to ongoing interaction between Old Mutual Zimbabwe and the authorities. However, it must be noted that there has recently been a shift in policy, which if implemented, will result in the EEA being amended to apply only to entities involved in the mining of diamonds and platinum.

The Zimbabwean Insurance Act 27 of 1987 (as amended) (Chapter 24:07) ("Zimbabwean Insurance Act"), governs the registration and conduct of the insurance industry, including how insurers should invest their funds and special provisions relating to life policies. The Zimbabwean Insurance Act also provides for the minimum capital requirements for insurance companies. In addition, the insurance industry is in the process of drafting an Insurance Bill which seeks to amend the current Zimbabwean Insurance Act to align it with developments in the industry.

The Zimbabwean Pensions and Provident Funds Act, 20 of 1976 (as amended) (Chapter 24:09) ("PPFA") regulates the registration and dissolution of funds and the relevant financial management and administration requirements applicable to pension funds. In addition, in terms of the PPFA, every registered fund must hold its assets in investments which are realisable in Zimbabwe. Similarly, the Zimbabwean Insurance Act provides that insurers must maintain unimpaired assets in Zimbabwe of an aggregate value of not less than the sum of its liabilities. These provisions read together effectively prohibit investments outside Zimbabwe.

The Zimbabwean Banking Act, 9 of 1999 (as amended) (Chapter 24:20) ("Zimbabwean Banking Act") regulates the minimum paid-up equity capital requirements for banking and financial institutions in Zimbabwe. The current minimum capital required for building societies in terms of the Zimbabwean Banking Act is USD10 million and USD12,5 million for commercial banks. The Consumer Protection Framework No.1-2017/BSD, issued by the Reserve Bank of Zimbabwe ("RBZ"), prescribes the minimum regulatory standards for consumer protection expected in terms of the law and in line with the "treating customers fairly" principle.

The Zimbabwean Deposit Protection Corporation Act, 7 of 2011 (as amended) (Chapter 24:29) ("Zimbabwean Deposit Act") establishes a deposit protection corporation fund for the compensation of depositors in the event of financial institutions becoming financially distressed, troubled or insolvent. In this regard, the Zimbabwean Deposit Act prescribes the mandatory amounts to be contributed to the fund by each banking institution. A failure to pay the prescribed amounts results in the imposition of penalties and interest.

The Zimbabwean Money Laundering and Proceeds of Crime Act, 4 of 2013 (as amended) (Chapter 9:24) ("Zimbabwean Money Laundering Act") requires that financial institutions (and certain designated non-financial businesses and professions) take prudential measures to assist in combatting money laundering and the financing of terrorism. In this regard, the Zimbabwean Money Laundering Act provides customer identification and identity verification requirements and enables the tracing, freezing, seizing and confiscation of proceeds of all serious crimes. The Zimbabwean Money Laundering Act also requires banking institutions to monitor their customers' accounts and report any suspicious transactions to the RBZ. Penalties may be imposed on financial institutions in the event of non-compliance.

The Securities Act, 17 of 2004 (Chapter 24:25) governs the regulation of securities services in Zimbabwe to include securities exchanges, Central Securities Depositories ("CSDs") and the respective members (such as registered stock brokers), misuse of inside information, and improper trading practices. The Securities Exchange Commission of Zimbabwe is tasked with investor protection, reducing systemic risk, and promoting market integrity.

## 2.4 **Malawi**

The regulator (Reserve Bank of Malawi) introduced the Minimum Capital and Solvency for Life Insurers Directive, 2016, which provides for tier-level minimum capital requirements per number of classes of insurance business being offered. A life insurer that is licensed to carry on all classes of life insurance business shall maintain a minimum paid up capital of MK750 million by 31 December 2017 and a minimum paid up capital of MK1 billion by 31 December 2018. A life insurer that is licensed to carry on only 1 class of life insurance business shall maintain a minimum paid up capital of MK300 million by 31 December 2018.

The Reserve Bank of Malawi has developed a framework for market conduct regulation, embodying principles of treating customers fairly, called "Fair Treatment of Financial Consumers by Financial Institutions". This regulatory initiative will require financial institutions to consider the treatment of customers at all stages of the product lifecycle, including the design, advertising, advice, point-of-sale and after-sale stages.

The Group's operations in Malawi will be impacted by the recent Malawian Tax Amendment Act 2016/2017 (as amended), which provides (i) for an increase in the corporate tax rate from 21% to 30% for companies involved in life assurance businesses, and (ii) an increase in an administrative minimum penalty from MK50,000 to MK2 million for concluding a transaction without a valid tax clearance certificate.

The Malawian Financial Services Act 26 of 2010 (as amended) requires that a single entity or person should not own more than 49% of the shareholding in any prudentially regulated financial institution (which includes insurance companies and holding companies of insurance companies).

The Malawian Financial Crimes Act, 14 of 2017 (as amended) was promulgated to establish an independent and autonomous authority, the Financial Intelligence Authority, to better prevent, investigate and combat financial and related or consequential crimes, to enable the tracing, identification, tracking, freezing, seizure or confiscation of proceeds of crimes, and to provide for connected and incidental matters.

## 2.5 **Nigeria**

The National Insurance Commission ("NAICOM") released a draft roadmap on risk-based capital in 2016 which outlines NAICOM's resolve to transition to a risk-based capital and solvency model, which takes an insurance company's risk exposure into consideration for determining their solvency and capital adequacy.

In addition, NAICOM released the Market Conduct and Business Practice Guidelines for Insurance Institutions which sets out the minimum standards for insurance institutions in dealing with customers, policyholders, shareholders and other stakeholders. It contains prudential measures and also provides principles to ensure that customers are treated fairly; claims are settled promptly as well as setting general licensing and authorisation requirements.

The Nigerian Insurance Act, 2003 (as amended) ("Nigerian Insurance Act") regulates all insurance businesses in Nigeria and classifies the insurance business in Nigeria into life insurance and general insurance. The Nigerian Insurance Act governs supervision and control of the insurance industry in Nigeria.

The proposed Nigerian Insurance (Consolidation) Bill seeks to limit the participation of non-insurance financial institutions in the ownership of insurers or reinsurers to 40% of the issued share capital of such insurers or reinsurers, as the case may be. The Nigerian Insurance (Consolidation) Bill also intends to limit an insurer's investments in the shares, securities or products of a related financial institution to not more than 20%.

The Nigerian National Office for Technology Acquisition and Promotion Act, 1994 (as amended) ("Nigerian NOTAP Act") was promulgated to monitor, on a continuing basis, the transfer of foreign technology to Nigeria and other related matters. The Nigerian NOTAP Act contains detailed provisions that regulate the implementation of the Nigerian National Office for Technology Acquisition and Promotion's ("NOTAP") policies and it provides that NOTAP shall implement the registration of all contracts entered into for the transfer of foreign technology into Nigeria and also specifies the types of agreements to be registered with it. NOTAP appears to take a hard-line stance and appears to take the view more frequently that most of the services in agreements requiring its approval may be sourced locally.

The Nigerian Money Laundering (Prevention and Prohibition) Bill 2016 is to provide for measures for prevention and prohibition of money laundering in Nigeria and for other related matters. The current Money Laundering (Prohibition) Act, 2011 (as amended) will be repealed once this Bill has been promulgated.

The Nigerian Companies and Allied Matters Act, 2004 (as amended) ("Nigerian CAMA") establishes the Corporate Affairs Commission ("CAC") which is the regulator of matters pertaining to the incorporation, administration and winding-up of companies, business names and incorporated trustees in Nigeria. There are proposed amendments to the Nigerian CAMA which are planned to define the role of the CAC in the implementation of codes of best practices and to empower it to remove erring directors and officers of companies in line with global practices. Other functions of the CAC include timely filing of annual returns and other statutory filings by all registered companies.

NAICOM published the Prudential Guidelines for Insurers and Reinsurers in Nigeria in July 2015. These guidelines were released to protect policyholders/annuitants against the risk of insolvency of an insurance company by setting standards for investments representing them. The guidelines also include measures to ring-fence policyholders' funds and related assets, as well as guidance on investments/divestments, reinsurance, aviation insurance, disclosures to regulators, as well as risk management.

The Circular on the Code of Good Corporate Governance was published by NAICOM to clarify and amend NAICOM's policies in relation to the composition and mix of board of directors, composition of board committees and the internal audit reporting line. The circular further directed insurance companies to appoint a technical executive director.

The Nigerian Companies Income Tax Act, 2004 (as amended) and the Companies Income Tax (Amendment) Act, 2007 (as amended) ("Nigerian CITA") are the primary legislation governing tax administration of corporate entities in Nigeria. The Nigerian CITA provides the framework for assessment and collection of tax in Nigeria and contains specific provisions relating to insurance companies. The relevant provisions relate to ascertainment of profit for tax purposes, actuarial revaluation of unexpired risks and the requirement to keep separate books of accounts and annual tax returns for each class of insurance business.

The Financial Reporting Council of Nigeria Act, 2011 (as amended) ("Nigerian FRC Act") establishes the Financial Reporting Council ("FRC") with the responsibility for, *inter alia*, developing and publishing accounting and financial reporting standards to be observed in the preparation of financial statements of public entities in Nigeria. An insurance company in Nigeria qualifies as a public interest entity in light of its obligations to file returns with NAICOM.

## 2.6 **Ghana**

The Ghanaian Reinsurance Guidelines ("Guidelines") were developed and issued by the National Insurance Commission ("NIC") and took effect on 1 July 2017. The Guidelines ensure that reinsurance arrangements meet the requirements and approval of the NIC and are also in the best interest of the Ghana insurance market.

The Guidelines disallow overseas reinsurance placement and where there is not enough local capacity, NIC's approval must be sought before any recourse is had to overseas insurance. All business coming into the country must therefore be placed with a local insurer through a local broker, or directly with a local insurer. The total local reinsurance participation in a treaty programme should not be less than that of the highest participation of any international reinsurer on that treaty programme.

The Guidelines provide pecuniary sanctions for offences ranging from 250 penalty units to 2,500 penalty units depending on the offence committed as provided in the schedule attached to the Guidelines.

The Ghanaian Anti-Money Laundering Act, 749 of 2008 (as amended) was enacted to prohibit money laundering, establish a Financial Intelligence Centre and to provide for related matters.

## 2.7 **Kenya**

The Kenyan Insurance Act, 2006 (as amended) (Chapter 487, as revised) requires that at least one-third of the amount of the paid-out capital of insurers be owned by citizens of the East African Community Partner States, being Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda.

The Kenyan Insurance (Amendment) Bill, 2017 (as amended) and the Insurance (Amendment) Regulations of 2017 introduce (i) the regulation of insurance groups and perpetual licences for insurance companies, and (ii) the concept of a "non-operating holding company" which now limits the activities that a holding company may perform. It also prescribes asset holdings and what it may be utilised for, the information to be provided in returns, the filing of annual audited accounts, fit and proper requirements and penalties.

The Kenyan Insurance (Capital Adequacy) Guidelines, 2017 prescribe capital adequacy requirements and the consequences for non-compliance (including the applicable regulator's power to intervene) with such requirements. This will impact valuation methodologies utilised in technical provisions of the Group operating in Kenya. The Kenyan Insurance (Valuation of Technical Provisions for Life Insurance Business) Guidelines, 2017 regulate the methodology to be used in the valuation of a life insurance business; and the Insurance (Valuation of Technical Provisions for General Insurance Business) Guidelines, 2017 prescribe technical guidelines that must be followed by the appointed actuary and the internal actuaries while valuing insurance liabilities. This will impact valuation methodologies utilised to value the Group reserves in the property and casualty business in Kenya. The Kenyan Insurance (Investment Management) Guidelines, 2017 also provide guidelines for the management of investments by insurers.

The Kenyan Proceeds of Crime and Anti-Money Laundering Act, 9 of 2009 (as amended) provides for the offence of money laundering and introduces measures for the combating of money laundering. This legislation provides for the identification, tracing, freezing, seizure and confiscation of the proceeds of crime.

## 2.8 **Botswana**

The Botswana Financial Intelligence Act, 6 of 2009 (as amended) provides for the establishment of the Financial Intelligence Agency and the reporting of suspicious transactions and other cash transactions thereto.

## 2.9 **Uganda**

Interim micro insurance guidelines were issued in 2016 that deal with, *inter alia*, capital adequacy requirements of micro insurers. In addition, the new Ugandan Insurance (Amendment) Act, 13 of 2011 (as amended) introduces risk-based capital regulation by authorising the Insurance Regulatory Authority to prescribe regulations providing for specific capital requirements.

The Ugandan Insurance Act, 6 of 2017 (as amended) represents a complete overhaul of the existing insurance regime of regulations and provides for, among others, perpetual licensing, a risk-based supervisory environment, bancassurance, takaful (insurance system compliant with sharia laws), the introduction of new control functions (risk management, compliance actuarial and internal audit), and loans to directors and associate companies. It also prescribes that the life insurance fund must invest 30% in government securities and 70% in other approved investments.

The Ugandan Anti-Money Laundering (Amendment) Act, 16 of 2017 (as amended) provides, *inter alia*, for the carrying out of risk assessments by accountable persons; the identification of customers and clients of accountable persons; procedures relating to suspicious transactions; the harmonisation of record keeping requirements and obligations related to the exchange of information in accordance with international practice.

## 2.10 **Rwanda**

The draft regulations on Risk-Based Capital Adequacy Requirements introduce risk-based capital requirements for insurance companies operating in Rwanda. This will affect the balance sheet of the Group business in Rwanda, as well as financial reporting and capital requirements. Current capital rules require that an insurer carrying on short-term insurance business keeps at all times an excess of its admitted assets over the aggregate value of its admitted liabilities equivalent to Frw500 million, or 20% of its gross premium net of reinsurance transferred during the previous year, whichever is greater.

The Rwandan Anti-Money Laundering Act, 12 of 2006 (as amended) regulates the prevention and prohibition of money laundering as well as the establishment of the Financial Intelligence Unit and the National Multi-Disciplinary Committee on Anti-Money Laundering in Rwanda.

## 2.11 **Tanzania**

In Tanzania, the Tanzanian Written Laws (Miscellaneous Amendments) Act, 2 of 2017 (as amended) ("WLMA") proposes, *inter alia*, amendments to the Insurance Act, 10 of 2009 (as amended) which will require that at least two-thirds of the issued share capital of brokerages firms must be owned by citizens of Tanzania. In addition, the WLMA also proposes that all insurance business be placed with local insurers, ie no direct placement of insurance business to insurance companies registered outside of Tanzania will be permitted unless approved by the Tanzania Insurance Regulatory Authority. In Tanzania, the law requires at least one-third of the controlling interest, whether in terms of shares, paid-up capital or voting rights to be held by citizens of Tanzania and at least one third of the members of the board of that company must be citizens of Tanzania.

The Tanzanian Prevention and Penalising the crime of Money Laundering and financing Terrorism – Law No 47/2008 seeks to prevent, detect, fight, and eradicate the use of the financial system or the other economic sectors for the purpose of money laundering and the financing of acts of terrorism whether related to money laundering or not. The law applies to any natural or legal person that, in the framework of its profession, conducts, controls or advises transactions involving deposits, exchanges, investments, conversions or any other capital movement or any other property.

# 3. **Jurisdictions Outside of Africa**

## 3.1 **The OMLACSA Branches**

OMLACSA operates offshore branches in the Isle of Man, Guernsey and Hong Kong ("OMLACSA Branches") which conduct insurance business under the OMLACSA long-term insurance licence and in compliance with the requirements of the licences/permits issued to them in their respective jurisdictions. The OMLACSA Branches are not separate legal entities distinct from OMLACSA, which assumes the liability for the business of the branches, irrespective of whether foreign legislation applies to the underlying policies issued. Regulatory non-compliance may result in the imposition of severe penalties and/or the revocation of applicable licences.

The OMLACSA Branches are subject to the supervision of regulatory authorities that have broad administrative and discretionary powers in relation to, *inter alia*, their capacity to conduct their business, corporate governance, risk management, solvency and capital adequacy requirements. In this regard, the following regulatory considerations in respect of operations in the Isle of Man, Guernsey and Hong Kong, should be noted:

- In the Isle of Man, ownership and the ultimate beneficial interests in the ownership (with ownership by a discretionary trust not being permissible) of an insurer must be fully disclosed to the Isle of Man Financial Services Authority ("IoM FSA"), including information in relation to any person who has power to secure that the affairs of the insurer is conducted in accordance with such person's instructions or is able to control, directly or indirectly, the exercise of one third or more of the voting power at any general meeting of the insurer. In addition, the IoM FSA must be notified in writing of any material change in the share ownership or share structure of the insurer. From 1 January 2019, objectives for the fair treatment of policyholders in relation to long-term insurers and the manner in which insurance companies are to handle business received from intermediaries will be regulated by the Conduct of Business Code.
- In Guernsey, the Guernsey Financial Services Commission must be notified of changes in ownership or group structure of an insurer.
- In Hong Kong, an insurer must maintain assets in Hong Kong of an amount which is not less than the aggregate of 80% of its net liabilities and the solvency margin applicable to its Hong Kong business.

### 3.2 **Latin America**

The Group conducts business in various Latin American jurisdictions which include Colombia, Mexico, Uruguay and Brazil. The financial services provided by the Group in Latin America are subject to comprehensive laws and regulations which relate to, *inter alia*, the establishment and management of mandatory and voluntary pension funds, insurance businesses, asset management businesses, investment advisory services and the establishment and management of collective investment schemes (Mutual Funds).

As a result of the applicable regulatory framework, the relevant Group entities are subject to the supervision of regulatory authorities that have broad administrative and discretionary powers in relation to their capacity to conduct their business, corporate governance, risk management, solvency and capital adequacy requirements.

In particular, the following regulatory considerations in respect of the Latin American jurisdictions should be noted:

#### *Colombia*

At the end of 2016, a Tax Reform Act was approved which resulted in (i) the reduction of the corporate income rate from 40% in 2017 to 33% in 2019, (ii) changes in withholding tax on dividends for foreign investors and individuals, and (iii) the removal of certain deductions to labour income.

Additional regulations in respect of financial conglomerates were issued in 2017, which could impact the risk management approach and possibly capital requirements of financial conglomerates. Drafts of the secondary regulations were also shared by the Government, on which the Group has submitted comments.

With regards to regulatory initiatives, the Colombian Government has released a draft decree in relation to solvency requirements that increases the capital required to be maintained by pension fund managers. The decree was expected to be promulgated in Q1 2018. The Colombian Government has also released a proposal to implement a centralised tender process in respect of disability and survivor insurance in mandatory pension funds, which may impact the income generated from this line of business. Further discussions on this proposal will take place in 2018.

#### *Uruguay*

The Group performs investment advisory services in various jurisdictions, based out of Uruguay. The Central Bank of Uruguay oversees the Uruguayan financial system by, *inter alia*, enforcing solvency levels, efficiency and development.

AIVA also facilitates the investment and subscription for insurance products outside of LatAm by LatAm residents. The local insurance and distribution regulations of each of the relevant countries within which AIVA distributes as well as the regulations applicable to its product providers are relevant in ensuring compliance.

#### *Mexico*

As part of structural reforms implemented to enhance competition and investment, Mexico implemented the European Solvency II Directive (Directive 2009/138/EC). In addition, Mexican financial authorities implemented reforms in the mutual funds industry regulations in order to incorporate best international practice.

### 3.3 **China**

In China, foreign ownership in life insurance companies is currently capped at 50%. There are ongoing regulatory reforms which may affect the ownership by foreign and domestic investors in life insurance companies, including proposed relaxation, and eventually abolition, of foreign ownership limits in life insurance companies. Changes to the ownership of a life insurer are generally required to be approved by the China Insurance Regulatory Commission.

## 4. **Regulated Businesses**

Annexe 17 to this Pre-listing Statement sets out the types of licences held by the Group in relation to the lines of business conducted in each jurisdiction (save in relation to the type of licences held by Nedbank). In addition, the Company operates in jurisdictions where the business conducted is regulated, but not under a specific licence.



## PART VIII

### MANAGEMENT AND CORPORATE GOVERNANCE

Unless expressly provided or indicated otherwise by the context, this section of this Pre-listing Statement has been prepared based on the Group as it would have existed if the Second Scheme Effective Time had occurred on the Last Practicable Date.

#### 1. Directors and Senior Management

The following section provides a description of the Directors and Senior Management of the Company. The description of the Major Subsidiary's (as defined in Annexe 18 to this Pre-listing Statement) directors is set out in Annexe 9 to this Pre-listing Statement.

##### 1.1 Directors

Details of the Directors are set out below<sup>1</sup>:

Full Name	Position	Nationality	Date of Birth	Date Appointed
Manuel, Trevor Andrew (62)	<i>Chairperson and independent non-executive Director</i>	South African	31 January 1956	5 March 2018
Moyo, Mthandazo Peter (55)	<i>CEO</i>	South African	3 October 1962	5 March 2018 <sup>(2)</sup>
Troskie, Casparus Gerhardus (55)	<i>CFO</i>	South African	3 April 1963	27 March 2018
Johnson, Ingrid Gail (51)	<i>Executive Director</i>	South African	4 July 1966	5 March 2018
Baloyi, Paul Cambo (62)	<i>Independent non-executive Director</i>	South African	12 March 1956	5 March 2018
Du Toit, Matthys Michielse (59)	<i>Independent non-executive Director</i>	South African	22 December 1958	5 March 2018
Essien, Albert Kobina (62)	<i>Independent non-executive Director</i>	Ghanaian	24 May 1955	5 March 2018
Kgaboesele, Itumeleng (46)	<i>Independent non-executive Director</i>	South African	8 August 1971	5 March 2018
Lister, John Robert (60)	<i>Independent non-executive Director</i>	British	19 April 1958	5 March 2018
Magwentshu-Rensburg, Sizeka Monica (58)	<i>Independent non-executive Director</i>	South African	30 August 1959	5 March 2018
Moholi, Nombulelo Thokozile (58)	<i>Independent non-executive Director</i>	South African	9 March 1960	5 March 2018
Mokgosi-Mwantembe, Thoko Martha (56)	<i>Independent non-executive Director</i>	South African	28 June 1961	5 March 2018
Molope, Carol Winifred Nosipho (53)	<i>Independent non-executive Director</i>	South African	12 September 1964	5 March 2018

Full Name	Position	Nationality	Date of Birth	Date Appointed
Mwangi, James Irungu (41)	<i>Independent non-executive Director</i>	Kenyan	5 April 1977	5 March 2018
Sehoole, Ignatius Simon (57)	<i>Independent non-executive Director</i>	South African	27 April 1960	5 March 2018
Van Graan, Stewart William (62)	<i>Independent non-executive Director</i>	South African	3 November 1955	5 March 2018
De Beyer, Peter Gerard (62)	<i>Non-executive Director</i>	South African	2 November 1955	5 March 2018
Naidoo, Vassi (63)	<i>Non-executive Director</i>	South African	1 March 1955	5 March 2018
Rapiya, Bahleli Marshall (65)	<i>Non-executive Director</i>	South African	25 July 1952	5 March 2018

**Notes:**

1. For further information on the service agreements of the Executive Directors, see Annexe 9 to this Pre-listing Statement.
2. Peter Moyo's appointment as CEO was effective from 1 June 2017, but his appointment as Director was with effect from 5 March 2018.

The business address of all Directors is c/o Mutualpark, Jan Smuts Drive, Pinelands, Cape Town.

Further particulars of the Directors and the members of Senior Management, including details of other directorships held in the preceding 5 years, are set out in Annexe 9 to this Pre-listing Statement.

Short biographies of the Directors are set out below:

## 1.2 **Executive Directors**

### *Moyo, Mthandazo Peter – CEO – BAcc (Hons), HDip (Tax) and CA(SA)*

Peter is the CEO of the Group. He serves on the advisory board of the University of Stellenbosch Business School and is the chairperson of Business Against Crime South Africa. Peter was formerly the deputy managing director of Old Mutual South Africa and former group chief executive officer of Alexander Forbes Group Limited and NMT Capital, chairperson of Vodacom Group Limited, Willis SA Proprietary Limited, CSC SA Proprietary Limited and the audit committee of the office of the Auditor General. He also served as a non-executive director on the board of Transnet Limited ("Transnet"), chaired the board of trustees of the Transnet Second Defined Benefits Fund, and served on Transnet's risk committee and audit committee, which he also chaired, and served as independent director of Liberty Group Limited. He holds a Bachelor of Accounting Science (Hons) from the University of South Africa and a Higher Diploma in Tax Law from the University of the Witwatersrand and is a Chartered Accountant (South Africa).

### *Troskie, Casparus Gerhardus (Casper) – CFO – BCom (Hons) and CA(SA)*

Casper was appointed as CFO of the Company with effect from 27 March 2018 and will be assisted by Ingrid Johnson until Casper has fully transitioned into the role of CFO. Casper was formerly the financial director of Liberty Holdings Limited and Liberty Group Limited and the chief financial officer of Standard Bank Group and The Standard Bank of South Africa Limited. He has also served as director on the board of STANLIB Limited and was a member of the Standard Bank Global Finance executive committee and the Standard Bank Group executive committee. He started his career as an articled clerk at Deloitte and thereafter held positions as manager and senior manager at Deloitte. He later returned to Deloitte as partner and was promoted to Group Leader – Assurance and Business Unit leader at Deloitte Financial Services team, after holding executive finance and management positions in commerce. He holds a Bachelor of Commerce (Hons) from the University of Cape Town and is a Chartered Accountant (South Africa).

### *Johnson, Ingrid Gail - Executive Director - BCom, BAcc, AMP and CA(SA)*

Ingrid is an executive Director and was appointed as the acting CFO from November 2017, in addition to her role as Group Finance Director for Old Mutual plc, and upon Casper Troskie's appointment as CFO her executive-related responsibilities are being transitioned to Casper Troskie in an orderly manner. To support this transition, it is intended that Ingrid will remain on the Board as an Executive Director until 30 June 2018 and will become a Non-executive Director with effect from 1 July 2018 and remain until at least the end of March 2019. She is currently the group finance director of the UK premium listed Old Mutual plc since July 2014. Ingrid was

previously the Nedbank Group Managing Executive: Retail and Business Banking from 2009 and a member of the Nedbank Group Executive Committee and a Prescribed Officer since 2008. Ingrid was responsible for the turnaround of the Nedbank Retail Banking cluster and the integration of Imperial Bank, in addition to retaining her role of leading the commercial cluster, Nedbank Business Banking, which she had held from 2005. She holds a Bachelor of Commerce and Bachelor of Accounting degrees from the University of the Witwatersrand, completed the Advanced Management Programme of the Harvard Business School and is a Chartered Accountant (South Africa).

### 1.3 **Non-executive Directors**

*Manuel, Trevor Andrew – Chairperson and independent non-executive Director – NDip and EMP*

Trevor is the chairperson of the Board. He currently serves on the international advisory board and as non-executive deputy chairperson of Rothschild. He is also a non-executive director on the board of directors of Swiss Reinsurance Company Limited. He served in the South African Government for more than 20 years, including as Minister of Finance and as Minister in the Presidency, responsible for the National Planning Commission. During his ministerial career, he assumed a number of *ex-officio* positions at international bodies including the United Nations Commission for Trade and Development, the World Bank, the International Monetary Fund, the G20, the African Development Bank Group and SADC. He holds a National Diploma in Civil and Structural Engineering from the Peninsula Technikon, South Africa and completed the Executive Management Programme at Stanford University.

*Baloyi, Paul Cambo – independent non-executive Director – MBA, AMP and SEP*

Paul is an independent non-executive Director. He serves as the chief executive officer of Talent Holdings Proprietary Limited and managing director of CAP Leverage Proprietary Limited. He began his career with the Standard Bank Group Limited, before moving to Nedcor Bank Limited (now Nedbank). He fulfilled various roles during his tenure there, ultimately becoming managing director of Nedbank Africa. He is also the former chief executive officer and managing director of the Development Bank of Southern Africa. Paul also served as chief executive officer and managing director of DBSA Development Fund. He has served as an independent non-executive director on many boards internationally, was a council member of the Institute of Bankers and also served as chairman of the Ned Medical Aid. He holds a Master of Business Administration from the University of Wales Bangor, and a number of other postgraduate qualifications, including an Advanced Management Program from INSEAD and Senior Executive Program from Harvard Business School.

*Du Toit, Matthys Michielse – independent non-executive Director – BSc, BSc Agric and MBA*

Matthys is an independent non-executive Director. He is currently the executive chairman of Rootstock Investment Management Proprietary Limited and an independent non-executive director of Attacq Limited. He was the chairperson of KWV Holdings Limited and served as a non-executive director of PSG Group Limited, Pioneer Food Group Limited and ZCI Limited. He (with 4 colleagues) was instrumental in co-founding Coronation and was subsequently appointed as managing director in 1996. In 2003, he led the listing of Coronation on the JSE. Matthys has been instrumental in the establishment of numerous empowerment asset management businesses, including African Harvest Asset Management, Kagiso Asset Management, Namibia Asset Management and Coronation Fund Managers (Botswana). He holds a Bachelor of Science with majors in Viticulture, Biochemistry and Chemistry, a Bachelor of Science in Agriculture and a Master of Business Administration from the University of Stellenbosch.

*Essien, Albert Kobina – independent non-executive Director – BA*

Albert is an independent non-executive Director. He started his banking career with the National Investment Bank Limited in Accra, and joined the corporate banking department of Ecobank Ghana. He previously served as the group chief executive officer of Ecobank and led Ecobank's expansion into Burundi, Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda and Zambia. He also led Ecobank's negotiations in the formation of the Ecobank-Nedbank alliance. He holds a Bachelor of Arts in Economics from the University of Ghana and is an honorary fellow of the Ghana Chartered Institute of Bankers.

*Kgaboesele, Itumeleng – independent non-executive Director – BCom, PDip (Acc), Dip (FMI) and CA(SA)*

Itumeleng is an independent non-executive Director. He is co-founder and chief executive officer of Sphere Holdings Proprietary Limited, a midmarket investment company that invests primarily in the industrial services sectors. He serves on the board of directors of Telkom SA SOC Limited, and the Student Sponsorship Programme, and is a member of the Young Presidents' Organisation. He has over 20 years of experience, having held positions with Hambros Bank Limited, Deutsche Bank AG London and Merrill Lynch (as defined in Annexe 18 to this Pre-listing Statement). He holds a Bachelor of Commerce and Postgraduate Diploma in Accounting from the University of Cape Town, a Diploma in Financial Markets and Instruments from the University of Johannesburg, and is a Chartered Accountant (South Africa).

*Lister, John Robert – independent non-executive Director – BSc (Stats) and FIA*

John is an independent non-executive Director. John has over 3 decades of experience in the insurance sector and is a finance and risk specialist. He is currently the Chairman of the Risk Committee at Phoenix Life, Police Mutual Group and Pacific Life Re in the UK. He is the former chief risk officer of AVIVA plc and chief financial officer and chief actuary of its UK life and savings business. He was the former chairperson of the risk committee of Delta Lloyd Limited, Netherlands, prior to its sale to the NN Group. He has significant experience and knowledge across a number of areas including capital management, risk management and regulatory engagement. He holds a Bachelor of Science in Statistics from the University of Wales, Cardiff and is a Fellow of the Institute of Actuaries.

*Magwentshu-Rensburg, Sizeka Monica – independent non-executive Director – BA, MBA and DPhil*

Sizeka is an independent non-executive Director. She is also a non-executive director of the Industrial Development Corporation of South Africa SOC Limited and was a member of the Finance and Grants Committee at the Manufacturing Engineering and Related Services SETA (MERSETA). She has extensive experience spanning over 25 years in the Small, Medium and Micro Enterprise ("SMME") development space in South Africa and Southern Africa. She served on various boards of state-owned enterprises and was a member of the South African Ministerial Advisory Committee on SMME Development (Ministry of Economic Development). She holds a Bachelor of Arts in Accounting and Business Administration from Webster University, a Master of Business Administration from Webster University and a DPhil in Business Management from the University of Johannesburg.

*Moholi, Nombulelo Thokozile – independent non-executive Director – BSc (Eng), SEP and SMP*

Nombulelo is an independent non-executive Director. She is an independent non-executive director of Woolworths Holdings Limited and Anglo American Platinum Limited. She was the group chief executive officer and executive director of Telkom SA SOC Limited. She also served as group executive of strategy, marketing and corporate affairs and on the executive committee of Nedbank. She holds a Bachelor of Science in Engineering from the University of Cape Town and completed the Stanford Executive Programme at Stanford University and Strategic Management Programme at Harvard Business School.

*Mokgosi-Mwantembe, Thoko Martha – independent non-executive Director – BA, MSc, SEP and MCRP*

Thoko is an independent non-executive Director. She is currently the chief executive officer of Kutana Investments Group Limited, a black women-owned economic empowerment investment group. She is a director at Laureate International Universities, Royal Bafokeng Platinum Limited and Vodacom Group Limited. Her career spans numerous sectors, including pharmaceuticals companies such as Logos Pharmaceutical and GlaxoWellcome. She is the former chief executive officer of Alcatel South Africa Proprietary Limited and Hewlett Packard South Africa Proprietary Limited. She holds a Bachelor of Science and a Diploma in Teaching from the University of Swaziland and a Master of Science in Medical Chemistry from the University of Loughborough. She has completed a Senior Executive Programme at Harvard University and a Managing Corporate Resources Programme from the Institute of Management Development of Switzerland.

*Molope, Carol Winifred Nosipho – independent non-executive Director – BSc (Medical Sciences), BCompt (Hons), CTA and CA(SA)*

Nosipho is an independent non-executive Director. She currently serves as director on various company boards including Bidvest Group Limited, Engen Limited, South32 Coal Holdings Proprietary Limited, Mobile Telephone Networks Proprietary Limited and various other subsidiaries of MTN Group Limited in the rest of Africa, including MTN Uganda, MTN Rwandacell, MTN Zambia and MTN Swaziland. She previously worked at WipCapital Proprietary Limited as part of the Specialised Funds Management team, after which she joined Viamax Proprietary Limited, a subsidiary of Transnet, as a group finance executive. She then became the finance director at ZICO Proprietary Limited and later became the Chief Financial Officer at the Financial Services Board. She also previously served on the boards of, *inter alia*, Nampak Limited, Illovo Sugar Limited, Toyota Financial Services South Africa Proprietary Limited and various subsidiaries of MTN Group Limited in the rest of Africa, including MTN Cameroon, MTN Ivory Coast, MTN Liberia, MTN Benin and MTN South Sudan. She holds a Bachelor of Science from the University of the Witwatersrand as well as a Bachelor of Accounting Science (Hons) with a Certificate of Theory in Accountancy from the University of South Africa, and is a Chartered Accountant (South Africa).

*Mwangi, James Irungu – independent non-executive Director – BA (Econ)*

James is an independent non-executive Director. He is an executive director of the Dalberg Group and a partner with Dalberg Global Development Advisors ("Dalberg"). He was a founding member of Dalberg's Africa presence in 2007. In 2010, he took on the role of Global Managing Partner and Chief Executive of Dalberg's consulting business, overseeing its global operations. Prior to Dalberg, he worked at McKinsey & Company. He is a 2009 Archbishop Tutu Leadership Fellow of the African Leadership Institute and serves on the institute's board. He is also a 2013 Young Global Leader of the World Economic Forum and a member of the Young Presidents organisation as well as a member of the Global Entrepreneurs Council of the United Nations Foundations. He also served on the advisory committee of the Clinton Global Initiative. He holds a Bachelor of Arts in Economics from Harvard University.

*Sehoole, Ignatius Simon – independent non-executive Director – BCom, BAcc (Hons), CTA and General Management Diploma and CA(SA)*

Ignatius is an independent non-executive Director. He currently serves as an independent consultant and an independent non-executive director of SacOil Holdings Limited. He is the former deputy chief executive officer of PricewaterhouseCoopers Inc. in South Africa. He served on the PricewaterhouseCoopers Inc. executive committee and was responsible for the integration of PricewaterhouseCoopers Inc.'s operations across the African continent. He was also the executive president of the South African Institute of Chartered Accountants and held positions as the group executive of business risk management at MTN Group Limited having joined as the vice-president for the South and East Africa Region. He previously served as a non-executive director at the Public Investment Corporation, Harith Fund Managers and Accounting Standards Board and as director of African Bank Limited. He holds a Bachelor of Commerce from Vista University, a Bachelor of Accounting Science (Hons) and Certificate of Theory in Accountancy ("CTA") from the University of South Africa and a General Management Diploma from Ashridge Management College and is a Chartered Accountant (South Africa).

*Van Graan, Stewart William – independent non-executive Director – BCom (Hons), PMD*

Stewart is an independent non-executive Director. He is currently a non-executive director of the Altron Group and BankservAfrica and he serves on the board of Christel House school (NPO) in Cape Town. He was formerly the managing director of Dell Computer Proprietary Limited ("Dell") in South Africa and the former general manager of Dell's business in Africa. Prior to leaving Dell in April 2017, he was the vice president for the Enterprise Solutions business in the EMEA Emerging Markets. He also previously served as the chairperson of Dell in South Africa and the Dell Khulisa Academy. He also served on the advisory board of the University of Stellenbosch Business School. Prior to joining Dell, he spent 23 years at IBM in various positions, both locally and internationally. He holds a Bachelor of Commerce (Hons) in Systems and Technology from the University of Cape Town and completed the Programme for Management Development at the Graduate School of Business in Cape Town.

*De Beyer, Peter Gerard – non-executive Director – BBusSci (Hons), FASSA*

Peter is a non-executive Director. He currently serves as an independent non-executive director of Oceana Group Limited and of Real People Investment Holdings Proprietary Limited. Peter worked for the Old Mutual Group from 1978 to 2008, beginning in actuarial and technical roles, and progressing through executive roles in a variety of business units. After demutualisation, and the listing of Old Mutual plc in 1999, Peter was appointed deputy Managing Director of Old Mutual South Africa responsible for the retail businesses, and at his retirement in 2008, was managing director (customer solutions for Old Mutual South Africa). He has subsequently served as an independent non-executive director of a number of Old Mutual subsidiaries in Africa, including the Emerging Markets board from 2012, and has served as independent chairman of OMLACSA. He holds a Bachelor of Business Science (Hons) from the University of Cape Town, and is a fellow of the Actuarial Society of South Africa.

*Naidoo, Vassi – non-executive Director – BCom, Dip (Acc), PMD, CA(SA) and ICA*

Vassi is a non-executive Director. He was appointed to the board of Nedbank and also served on various other Nedbank boards as a non-executive director and chairperson-designate with effect from 1 May 2015 and then as chairperson from 11 May 2015. He was the chief executive of Deloitte Southern Africa, a member of the Deloitte UK executive and a member of Deloitte global executive, and served as the vice chairperson of Deloitte LLP. He holds a Bachelor of Commerce and a Diploma in Accounting from the University of Durban-Westville, South Africa and completed the Programme for Management Development at Harvard University and is a member of the South African Institute of Chartered Accountants, with honorary life membership for his contribution to the development of the profession in South Africa, as well as a member of the Institute of Chartered Accountants in England and Wales.

*Rapiya, Bahleli Marshall – non-executive Director – BAdmin*

Marshall is a non-executive Director. He is currently serving as board member to, *inter alia*, Sea Harvest Group Limited, General Motors Foundation, the National Student Financial Aid Scheme and Masisizane Fund. He has served as managing director for Old Mutual South Africa's retail mass market and prior to that managed various aspects of Old Mutual South Africa's business. He also served as chief executive officer of Old Mutual South Africa and on the board of directors of Old Mutual Insure. He holds a Bachelor of Administration from the University of South Africa and has completed executive education courses at the University of London and Harvard University.

#### 1.4 Senior Management

Details of the Senior Management of the Company and its Major Subsidiary are set out below:

Name and age	Position	Nationality	Date of appointment into position
Moyo, Mthandazo Peter (55)	CEO	South African	1 June 2017
Troskie, Casparus Gerhardus (55)	CFO	South African	27 March 2018
Johnson, Ingrid Gail (51)	Executive Director	South African	21 November 2017
Baepi, Joel Motsweng (49)	Director: Governance, Regulatory & Corporate Affairs	South African	1 February 2016
Berelowitz, Raymond Barnett (49)	Customer Solutions Director	South African	1 August 2013
Buenfil, David Ivan (47)	Managing Director: LatAm and Asia	Mexican	1 January 2013
Chinaka, Clement (47)	Managing Director: Old Mutual Corporate	Zimbabwean	1 January 2015
Lee, Vuyolwethu Seanele Maisela (39)	Chief Marketing Officer	South African	1 April 2017
Macready, David (59)	Managing Director: Wealth and Investments	South African	1 July 2017
Morule, Karabo (36)	Managing Director: Personal Finance	South African	1 January 2016
Mushosho, Jonas (59)	Managing Director: Rest of Africa	Zimbabwean	1 February 2017
Nethengwe, Clarence Tsakani (47)	Managing Director: Mass and Foundation Cluster	South African	1 June 2017
Treagus, Richard Graham (52)	Chief Risk Officer	South African	1 October 2015
Williamson, Iain George (48)	Chief Operating Officer	South African	1 September 2017
Wilken, Johannes Willem (56)	Acting Chief Executive Officer: Old Mutual Insure	South African	1 January 2018

The business address of each of the Senior Managers is Mutualpark, Jan Smuts Drive, Pinelands, Cape Town.

No activities are performed by the Senior Management outside of the Company and its Major Subsidiary that are significant to the Group.

Short biographies of the members of Senior Management of the Company and its Major Subsidiary are set out below:

*Moyo, Mthandazo Peter – CEO – BAcc (Hons), HDip (Tax) and CA(SA)*

Refer to “Executive Directors” above.

*Troskie, Casparus Gerhardus – CFO – BCom(Hons) and CA(SA)*

Refer to “Executive Directors” above.

*Johnson, Ingrid Gail – Executive Director – BCom, BAcc, AMP and CA(SA)*

Refer to “Executive Directors” above.

*Baepi, Joel Motsweng – Governance, Regulatory & Corporate Affairs – BA, LLB and LLM*

Joel is the member of Senior Management responsible for Governance, Regulatory & Corporate Affairs of the Group. He is also the public officer for OMLACSA in terms of the LTI Act. Joel started his career at the Company as chief legal adviser. His previous experience includes a director in commercial law at Bowman Gilfillan Inc., general counsel at Eskom Enterprises (SOC) Limited, director at Cliffe Dekker Hofmeyr Inc. and general counsel of General Motors South Africa Proprietary Limited. Joel holds a Bachelor of Arts with specialisation in politics and a Bachelor of Law from the University of Cape Town as well as a Master of Laws from the University of Johannesburg.

*Berelowitz, Raymond Barnett – Customer Solutions Director – BBusSci and FIA*

Raymond is the member of Senior Management responsible for Customer Solutions of the Group. Raymond joined the Group in 1998 as part of the team working on the retail investment products and became head of product of the Group's affluent investment brand, Fairbairn Capital, and in 2003 was appointed to head up SYm|metry, the Group's multi-manager investment boutique. In 2010, he was appointed as executive general manager: product solutions, where he had responsibility for product development and product management across the Emerging Markets business. Raymond's previous experience includes product development for corporate and retail markets at Southern Life. Raymond holds a Bachelor of Business Science from the University of Cape Town and is a Fellow of the Institute of Actuaries.

*Buenfil, David Ivan – Managing Director: LatAm and Asia – BSc, MA and MBA*

David is the member of Senior Management responsible for the Group's operations in Latin America and Asia. David joined the Group when Old Mutual plc acquired Skandia Group. David joined Skandia in 2002 as a commercial director and was promoted to chief executive officer of Skandia group's Mexican operations in 2007 and also took over the management of Skandia group's Colombian operations in 2009. David also co-founded eNovar, a LatAm Internet incubator, and Vidalink, 1 of the Leading Brazilian Pharmacy benefit management companies. His other professional experiences include, being a consultant at Booz, Allen & Hamilton in Brazil and a manufacturing engineer for General Motors in the USA, Mexico, and Germany. David holds a Bachelor of Science in Electrical Engineering from Kettering University (formerly GMI Engineering & Management Institute), a Master of Business Administration from the Wharton School of Business and a Master of Arts in international studies from the Lauder Institute at the University of Pennsylvania.

*Chinaka, Clement – Managing Director: Old Mutual Corporate – BSc and FFA*

Clement is the member of Senior Management responsible for Old Mutual Corporate. Clement has worked for the Group for the last 26 years in various roles including Chief Actuary and General Manager of Actuarial at Old Mutual Life Assurance Company of Zimbabwe, head of Channel Finance and Strategy Executive for OMLACSA's Retail Affluent segment, head of Emerging Markets Group Planning and Business Insights at Group Finance and General Manager of Finance and Strategy of Old Mutual Corporate. Clement holds a Bachelor of Science from the University of Zimbabwe and is a fellow of the Faculty of Actuaries.

*Lee, Vuyolwethu Seanele Maisela – Chief Marketing Officer – BCom (Hons) and MBA*

Vuyo is the chief marketing officer of the Group. She previously held positions as head of strategy for the retail affluent segment of Old Mutual South Africa before being promoted to the position of executive brand, customer and transformation manager of Old Mutual Insure. Her previous experience spans both the FMCG and financial services industries; beginning at Coca-Cola Southern Africa and Amalgamated Beverage Industries working in planning, market development research and insight, and leading brand, sustainability, communications, stakeholder engagement and transformation functions at MMI. Vuyo holds a Bachelor of Commerce (Hons) from the University of the Witwatersrand and a Master of Business Administration from the University of Cape Town's Graduate School of Business.

*Macready, David – Managing Director: Wealth and Investments – BCom (Hons), SEP and CA(SA)*

Dave is the member of Senior Management responsible for Wealth and Investments. He was previously the chief executive of Old Mutual South Africa and prior to joining the Group in May 2015, he was the group managing executive for Nedbank Wealth and was instrumental in the formation and growth of Nedgroup Investments, as well as the successful integration of Nedbank's various wealth businesses both locally and globally. He was also a partner at Deloitte in both Cape Town and London. Dave holds a Bachelor of Commerce (Hons) from the University of Cape Town, Certificate of Theory in Accounting from the University of Cape Town and completed the Senior Executive Programme presented by Harvard University and is a Chartered Accountant (South Africa).

*Morule, Karabo – Managing Director: Personal Finance – BBusSci, FASSA and FFA*

Karabo is the member of Senior Management responsible for the Personal Finance segment of the Group. She has held various management positions within the Group, including General Manager: Corporate Customer Solutions, General Manager: Member Solutions, and Strategy & Marketing Executive in the Retail Affluent segment and various board positions in the Group. Prior to joining the Group, she worked at the Johannesburg branch of global investment bank J.P. Morgan on the Equity Derivatives desk and also spent over 3 years at J.P. Morgan's London office working in the Insurance Securitised Products team. She served on the boards of Sechaba Medical Solutions Proprietary Limited and Yoco Technologies Proprietary Limited. Karabo holds a Bachelor of Business Science (actuarial science) from the University of Cape Town and is a Fellow of the Actuarial Society of South Africa and a Fellow of the Faculty of Actuaries.

*Mushosho, Jonas – Managing Director: Rest of Africa – BAcc, BCompt (Hons), MBA, CA(SA) and FICSA*

Jonas is the member of Senior Management responsible for the Rest of Africa segment of the Group. He is also the chief executive officer of Old Mutual Zimbabwe. He joined the Group as Tax Planning Accountant in the Zimbabwean tax department and also held the positions of managing director for Old Mutual Zimbabwe Life Assurance Company and general manager and finance director of the Retail Business segment of the Group. His former experience includes the position of Deputy Commissioner of Taxes in Zimbabwe. Jonas holds a Bachelor of Accounting Science (Hons) from the University of Zimbabwe, a B.Compt (Hons) from the University of South Africa and a Master of Business Administration from the University of Zimbabwe and he is a Chartered Accountant (South Africa), Chartered Accountant (Zimbabwe) and a fellow of the Institute of Chartered Secretaries and Administrators.

*Nethengwe, Clarence Tsakani – Managing Director: Mass and Foundation Cluster – BProc, LLM and MBA*

Clarence is the member of Senior Management responsible for the Mass and Foundation Cluster. He joined the Group as legal executive and later became the General Manager: Sales & Distribution Mass and Foundation Cluster. Prior to joining the Group, he practised as an attorney for over 10 years in Johannesburg and worked as a judicial officer for more than 5 years in Pretoria. Clarence holds a BProc from the University of the Witwatersrand, a Master of Laws from the University of South Africa and a Master of Business Administration from the Graduate School of Business of the University of Cape Town.

*Treagus, Richard Graham – Chief Risk Officer – BSc and FIA*

Richard is the chief risk officer of the Group. Richard initially joined the Old Mutual Group Assurance Division. He spent a number of years working in Product Development as a junior actuary before joining Mercantile & General Reinsurance in the UK on a secondment basis. He returned to OMLACSA in Cape Town in 1996 and was appointed as Finance Actuary for the Individual Life Division in 1998. From 2002 to 2006 he managed the Group Assurance business whereafter he moved into a general management position in the Product Solutions Division of Old Mutual plc. As general manager for Savings Solutions, he led the teams that developed a new transactional product (Money Account) and a number of successful retail savings products (2-IN-ONE, XtraMax, OM Invest Tax-free Account). Richard holds a Bachelor of Science from the University of Cape Town and is a fellow of the Institute of Actuaries.

*Williamson, Iain George – Chief Operating Officer – BBusSc, GMP and FASSA*

Iain is the chief operating officer of the Group. He joined the Group in 1993 and was appointed as manager of Actuarial Finance of Individual Life Old Mutual South Africa in 1996 whereafter he was promoted to senior manager of Corporate Development at Old Mutual plc. In 2003, Iain was appointed as chief operating officer of the Wealth Management segment of Old Mutual South Africa and later became the head of Strategy and Product Platforms at Old Mutual South Africa. He also held positions as Finance Actuary for Old Mutual South Africa, General Manager of Finance of the Retail Affluent segment, managing director of Retail Affluent segment, finance director of Old Mutual South Africa and interim chief executive officer of Old Mutual South Africa. Iain holds a Bachelor of Business Sciences from the University of Cape Town, has completed the General Management Programme of the Harvard Business School and is a fellow of the Actuarial Society of South Africa.

*Wilken, Johannes Willem – Acting chief executive officer: Old Mutual Insure – BAcc, BCompt (Hons), MBL and CA(SA)*

Hannes is the acting chief executive officer of Old Mutual Insure. He joined Old Mutual Insure as 1 of 3 partners (the "360 Troy Partnership") whose role it is to develop and manage direct insurance businesses in the wider Group, of which iWyze is the current focus. He was formerly the acting chief financial officer of Old Mutual Insure, the chief financial officer of Telesure Group Services Proprietary Limited, the chief executive officer of Doves Group Holdings Limited and the acting managing director of Santam. He holds a Bachelor of Accounting from the University of Stellenbosch, a B.Compt (Hons) and a Master of Business Leadership from the University of South Africa and is a Chartered Accountant (South Africa).

### **1.5 Directors' declarations**

There are no family relationships between any Directors, between any members of Senior Management of the Company, or between any Directors and members of Senior Management of the Company.

None of the Directors, the directors of the Major Subsidiary or members of Senior Management of the Company or the Major Subsidiary:

- has been declared bankrupt, insolvent or sequestered or at any time been a party to an individual voluntary arrangement, scheme of arrangement or made any other form of compromise with their creditors in any jurisdiction;
- has ever been involved in or associated with any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin



business rescue proceedings, notices having been delivered in terms of section 129(7) of the Companies Act, receiverships, compulsory liquidations, bankruptcies, administrations, company voluntary arrangements or any composition or arrangement with creditors generally or any class of creditors of any company where such person is or was a director, with an executive function within such company or acting in the capacity of a member of the administrative, management or supervising bodies or a senior manager at the time of, or within the 12 months preceding, such events;

- has entered into creditors' voluntary liquidations of any company where such person is or was a director, with an executive function within such company or was acting in the capacity of a member of the administrative, management or supervising bodies or a senior manager at the time of, or within the 12 months preceding such events;
- has entered into or has been involved in any compulsory liquidation, administration or voluntary arrangements of any partnership where such person is or was a partner or senior manager at the time of, or within the 12 months preceding, such events;
- has had receivership of any of the assets of such person or of a partnership of which he or she is or was a partner or senior manager at the time of, or within 12 months preceding, such events;
- has been the subject of any public criticism by any statutory or regulatory authorities, including recognised professional bodies, or been disqualified by a court from acting as a director or acting in the capacity of a member of the administrative, management or supervising bodies or a senior manager of a company or from acting in the management or conduct of the affairs of any company;
- has ever been convicted of or committed any offence involving dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement;
- has ever been found guilty in disciplinary proceedings, by an employer or regulatory body, due to dishonest activities committed by such person;
- has ever been removed from an office of trust on the grounds of misconduct and involving dishonesty;
- has ever been barred from entry into any profession or occupation;
- has ever been convicted in any jurisdiction of any criminal offence or an offence under legislation relating to the Companies Act, and no company of which he or she was a director, alternate director or officer at the time of the offence has been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act; or
- is or has been subject to any court order declaring him or her delinquent or placing him or her under probation under section 162 of the Companies Act and/or Section 47 of the South African Close Corporations Act, 69 of 1984 (as amended) or disqualifying him or her to act as a director under section 219 of the South African Companies Act, 61 of 1973 (as amended) (which has, for the most been repealed) or section 69 of the Companies Act.

#### 1.6 ***Appointment, Qualification, Remuneration and Borrowing Powers of Directors***

Set out in Annexe 14 to this Pre-listing Statement, are extracts of the relevant provisions of the Company's memorandum of incorporation ("Company MOI"), regarding:

- the qualification, appointment, terms of office and remuneration of Directors;
- the borrowing powers of the Company exercisable by the Directors. The borrowing powers may be varied by an amendment to the Company MOI;
- powers enabling Directors to vote on a proposal, arrangement or contract in which they are materially interested and to vote on the remuneration to themselves or any member of the Board; and
- retirement of Directors by rotation.

Set out in Annexe 14 to this Pre-listing Statement are extracts of the relevant provisions of the memorandum of incorporation of the Major Subsidiary regarding:

- the qualification, appointment and remuneration of directors; and
- the borrowing powers exercisable by the directors of the Major Subsidiary. The borrowing powers may be varied by amendment to the memorandum of incorporation of the Major Subsidiary.

Other than the Major Subsidiary, no other subsidiary has any borrowing powers that are material to the Company.

The Directors' borrowing powers have not been exceeded since the Company's incorporation, and there have not been any exchange control or other restrictions on the borrowing powers of the Company or any of its subsidiaries, other than restrictions generally applicable under the Exchange Control Regulations or otherwise in terms of the law.

There are no restrictions on the Company's borrowing powers and the business of the Company shall be managed by its Board, which may exercise all the powers of the Company. There are no other material limitations on the borrowing powers of the Group.

The memoranda of incorporation of each of the Group's subsidiaries do not have any provisions which would frustrate the Group's compliance, or relieve the Company of compliance, with the JSE Listings Requirements.

## 1.7 Remuneration of Directors

Set out below is a breakdown of the fees and remuneration paid or accrued as payable by the Group to the Directors during the financial year ended 31 December 2017:

Name	Directors' fees	Management, consulting, technical or other fees	Basic salary	Contributions to pension schemes	Medical aid contributions	Other material benefits	Bonuses and performance-related payments (Short- and long-term benefits)	Commission, gain or profit-sharing arrangements	Sums paid by way of expense allowance	Total
Manuel, Trevor Andrew <sup>(1)</sup>	R7,166,906	–	–	–	–	–	–	–	–	<b>R7,166,906</b>
Moyo, Mthandazo Peter <sup>(2)</sup>			R4,108,665	R232,292	R34,043	R111,417	R10,572,205		–	<b>R15,058,622</b>
Johnson, Ingrid Gail <sup>(3) (5)</sup>			£646,000	£10,000	£468	£318,054	£969,000		–	<b>£1,943,522</b>
Baloyi, Paul Cambo	R1,197,470	–	–	–	–	–	–	–	–	<b>R1,197,470</b>
Du Toit, Matthys Michielse	R176,129	–	–	–	–	–	–	–	–	<b>R176,129</b>
Essien, Albert Kobina <sup>(5)</sup>	\$80,520	–	–	–	–	–	–	–	–	<b>\$80,520</b>
Kgaboesele, Itumeleng	R573,037	–	–	–	–	–	–	–	–	<b>R573,037</b>
Lister, John Robert <sup>(5)</sup>	£25,696	–	–	–	–	–	–	–	–	<b>£25,696</b>
Magwentshu-Rensburg, Sizeka Monica	R271,876	–	–	–	–	–	–	–	–	<b>R271,876</b>
Moholi, Nombulelo Thokozile	R1,978,863	–	–	–	–	–	–	–	–	<b>R1,978,863</b>
Mokgosi-Mwantembe, Thoko Martha	R271,876	–	–	–	–	–	–	–	–	<b>R271,876</b>
Molope, Carol Winifred Nosipho	R1,760,791	–	–	–	–	–	–	–	–	<b>R1,760,791</b>
Mwangi, James Irungu	R178,710	–	–	–	–	–	–	–	–	<b>R178,710</b>
Sehoole, Ignatius Simon	R343,499	–	–	–	–	–	–	–	–	<b>R343,499</b>
Van Graan, Stewart William	R218,814	–	–	–	–	–	–	–	–	<b>R218,814</b>
De Beyer, Peter Gerard	R3,780,094	–	–	–	–	–	–	–	–	<b>R3,780,094</b>
Naidoo, Vassil <sup>(4)</sup>	R7,041,772	–	–	–	–	–	–	–	–	<b>R7,041,772</b>
Rapiya, Bahleli Marshall	R1,304,965	–	–	–	–	–	–	–	–	<b>R1,304,965</b>
<b>Total<sup>(6)</sup></b>	<b>R26,264,802</b>	<b>–</b>	<b>R4,108,665</b>	<b>R232,292</b>	<b>R34,043</b>	<b>R111,417</b>	<b>R10,572,205</b>	<b>–</b>	<b>–</b>	<b>R41,323,424</b>

### Notes:

#### 1. Fees received by Mr Manuel include:

R3,674,918	OMGH Chairman's fee
R2,136,048	Emerging Markets
R1,355,940	Old Mutual plc

**R7,166,906**

#### 2. The disclosures for Mr Moyo, who was appointed on 1 June 2017, include the following:

##### – Standard Remuneration Items:

R4,375,000	Total guaranteed package for the period 1 June 2017 to 31 December 2017, including contribution to pension and medical aid.
R111,417	Cash payment in respect of group life and disability insurance.
R5,652,205	Pro-rata performance bonus for the 2017 financial year, which was delivered 60% in cash and 40% in shares vesting on the third anniversary of date of grant subject to continued employment.
R4,920,000	Cash buy-out in lieu of bonus forfeited from previous employer upon joining the Group.

**R15,058,622**

##### – In addition, the following long-term awards, which will vest at a future date, were awarded in the 2017 financial year:

R18,750,026	Long-term incentive award granted on joining the Group. Vesting occurs on the third anniversary of date of grant subject to corporate performance conditions and continued employment. An enhanced award was made on joining to ensure alignment to shareholder interests over the longer term.
R18,750,026	On appointment share award on joining the Group. Vesting occurs in equal tranches on the third, fourth and fifth anniversary from date of grant, subject to continued employment.
R9,375,000	On target value of Emerging Markets MSIP award. For further information on the Emerging Markets MSIP, see "Managed Separation Incentive Plan" in this Part VIII – Management and Corporate Governance.

**R46,875,052**

##### – The sum of all payments and face value of all long-term awards made during the 2017 financial year was R61,933,674.

##### – Mr Moyo received R3,828,800 in total remuneration from NMT Capital, a company in which the Group is invested, for the period 1 January 2017 to 31 May 2017, during which he was an executive director of NMT Capital. He receives no fees for his role as non-executive director or any further remuneration from NMT.

#### 3. The disclosures for Ms Johnson are in respect of her role as the Group Finance Director of Old Mutual plc, a member of the UK FTSE 100 Index, and she has not received any additional remuneration from the Company in respect of her role as acting CFO for the Company from November 2017 to December 2018. Her remuneration comprises the following:

£656,468	Total guaranteed package for the 2017 financial year, including pension and medical aid contributions.
£318,054	Cash payments in respect of pension benefit allowance, group life and disability insurance.
£969,000	Performance bonus for the 2017 financial year, which was delivered 50% in cash and 50% in shares vesting on the third anniversary of the date of grant subject to continued employment.

**£1,943,522**

#### 4. Fees received by Mr Naidoo include:

R366,039	OMGH
R1,498,231	Old Mutual plc
R5,177,502	Nedbank Chairman's fee

**R7,041,772**

#### 5. Non-South African resident directors fees remunerated in local currency.

#### 6. Aggregate amount of all Rand based remuneration and fees.

Save as set out above and other than R20,000, which was paid to Carin Ogden, a director and the sole shareholder of CoSec Consulting Services Proprietary Limited ("CoSec Consulting Services"), the service provider appointed by Old Mutual plc to incorporate the Company, no remuneration or benefits were paid, or were proposed to be paid or accrued as payable by the Company to the Directors or any member of Senior Management during the financial year ended 31 December 2017.

As at the Last Practicable Date, no fees payable *in lieu* of Directors' fees have accrued or been paid to any third party during the financial year ended 31 December 2017.

Set out below is a breakdown of the fees and remuneration forecasted to be paid or accrued as payable to the Directors and proposed Directors for the financial year ended 31 December 2018:

Name	Directors' fees	Management, consulting, technical or other fees	Basic salary	Contributions to pension schemes	Medical aid contributions	Other material benefits	Bonuses and performance-related payments (Short and long-term benefits)	Commission, gain or profit-sharing arrangements	Sums paid by way of expense allowance	Total
Manuel, Trevor Andrew <sup>(1)</sup>	<b>R6,283,648</b>	–	–	–	–	–	–	–	–	<b>R6,283,648</b>
Moyo, Mthandazo Peter <sup>(2) (8)</sup>	–	–	R7,587,706	R350,000	R62,294	R209,745	–	–	–	<b>R8,209,745</b>
Troskie, Casparus Gerhardus <sup>(3) (8)</sup>	–	–	R3,222,266	R266,146	–	–	R4,328,134	–	–	<b>R7,816,545</b>
Johnson, Ingrid Gail <sup>(4) (6) (8)</sup>	–	–	£662,200	£10,000	£554	£321,860	–	–	–	<b>£994,614</b>
Baloyi, Paul Cambo	<b>R979,440</b>	–	–	–	–	–	–	–	–	<b>R979,440</b>
Du Toit, Matthys Michielse	<b>R862,840</b>	–	–	–	–	–	–	–	–	<b>R862,840</b>
Essien, Albert Kobina <sup>(6)</sup>	<b>\$89,432</b>	–	–	–	–	–	–	–	–	<b>\$89,432</b>
Kgaboesele, Itumeleng	<b>R932,800</b>	–	–	–	–	–	–	–	–	<b>R932,800</b>
Lister, John Robert <sup>(6)</sup>	<b>£166,473</b>	–	–	–	–	–	–	–	–	<b>£166,473</b>
Magwentshu-Rensburg, Sizeka Monica	<b>R1,182,960</b>	–	–	–	–	–	–	–	–	<b>R1,182,960</b>
Moholi, Nombulelo Thokozile	<b>R1,092,860</b>	–	–	–	–	–	–	–	–	<b>R1,092,860</b>
Mokgosi-Mwantembe, Thoko Martha	<b>R1,168,120</b>	–	–	–	–	–	–	–	–	<b>R1,168,120</b>
Molope, Carol Winifred Nosipho	<b>R979,440</b>	–	–	–	–	–	–	–	–	<b>R979,440</b>
Mwangi, James Irungu	<b>R831,040</b>	–	–	–	–	–	–	–	–	<b>R831,040</b>
Sehoole, Ignatius Simon	<b>R1,494,600</b>	–	–	–	–	–	–	–	–	<b>R1,494,600</b>
Van Graan, Stewart William	<b>R877,680</b>	–	–	–	–	–	–	–	–	<b>R877,680</b>
De Beyer, Peter Gerard	<b>R2,713,655</b>	–	–	–	–	–	–	–	–	<b>R2,713,655</b>
Naidoo, Vassi <sup>(5) (6)</sup>	<b>\$556,871</b>	–	–	–	–	–	–	–	–	<b>\$556,871</b>
Rapiya, Bahleli Marshall	<b>R1,113,181</b>	–	–	–	–	–	–	–	–	<b>R1,113,181</b>
<b>Total<sup>(7)</sup></b>	<b>R20,512,264</b>	<b>–</b>	<b>R10,809,971</b>	<b>R616,146</b>	<b>R62,294</b>	<b>R209,745</b>	<b>R4,328,134</b>	<b>–</b>	<b>–</b>	<b>R36,538,554</b>

**Notes:**

- Projected fees for Mr Manuel include:
 

R5,565,000	OMGH/Company
R718,648	Old Mutual Plc
<b>R6,283,648</b>	
- The disclosures for Mr Moyo include the following:
  - Standard Remuneration Items:
 

R8,000,000	Total guaranteed package for the period 1 January 2018 to 31 December 2018, including contribution to pension and medical aid.
R209,745	Cash payment in respect of group life and disability insurance.
<b>R8,209,745</b>	
  - In addition, the following long-term awards, which will vest at a future date, were awarded in the 2018 financial year:
 

R12,000,000	Long-term incentive award granted in the 2018 financial year. Vesting occurs on the third anniversary of date of grant subject to corporate performance conditions and continued employment.
<b>R12,000,000</b>	
  - The sum of Mr Moyo's remuneration for the 2018 financial year is **R20,209,745**.
  - Mr Moyo receives no fees for his role as Non-Executive Director of NMT Capital, a company in which the Group is invested.

- The disclosures for Mr Troskie, who was appointed with effect from 27 March 2018, include the following:
 

R3,488,411	Total guaranteed package from appointment date to 31 December 2018, including contributions to pension schemes.
R1,900,000	Cash payment <i>in lieu</i> of unvested awards forfeited from previous employer upon joining the Group.
R2,428,134	Cash buy-out in respect of bonus award forfeited from previous employer upon joining the Group.
<b>R7,816,545</b>	

  - In addition, the following awards to vest/be paid at a future date, are to be made in the 2018 financial year or a future performance period:
 

R4,950,000	Long-term incentive award to be made in terms of the rules of the LTIP.
R2,500,000	On appointment share award on joining the Group, to be made in terms of the rules of the ESOP.
R1,600,000	Cash payment in 2019 <i>in lieu</i> of unvested share awards forfeited from previous employer upon joining the Group.
R1,200,000	Cash payment in 2020 <i>in lieu</i> of unvested share awards forfeited from previous employer upon joining the Group.
<b>R10,250,000</b>	

The sum of all payments, future payments set out in Mr Troskie's appointment terms and the face value of all long-term awards to be made in 2018 is R21,441,545.

4. The disclosures for Ms Johnson are in respect of her role as the Group Finance Director of Old Mutual plc, a member of the UK FTSE 100 Index and she has not received any additional remuneration from the company in respect of her roles as acting CFO for the Company from January 2018 to March 2018 and will not receive any remuneration in respect of her role as Executive Director of the Company from April 2018 to June 2018 and her role as non-executive Director of the Company from July 2018 to at least March 2019. Her remuneration comprises the following:

£672,754	Total guaranteed package for the 2018 financial year, including pension and medical aid contributions.
£321,860	Cash payments in respect of pension benefit allowance, group life and disability insurance.
<b>£994,614</b>	

Ms Johnson also holds nil cost share options granted under the terms of the MSIP, which had a face value at the time of grant equal to 750% of her base salary for the Old Mutual plc 2016 financial year.

5. Projected fees for Mr Naidoo include:

\$49,884	OMGH/Company
\$64,037	Old Mutual Plc
\$442,950	Nedbank
<b>\$556,871</b>	

6. Non-South African resident directors fees remunerated in local currency.  
7. Aggregate amount of all Rand based remuneration and fees.  
8. Performance bonuses may also be payable to Executive Directors, subject to the final outcomes of individual and business performance against pre-agreed performance criteria and the approvals of the Remuneration Committee and Board in 2019 in respect of Mr Moyo and Mr Troskie, and the pre-agreed performance criteria and approvals of the remuneration committee and board of directors of Old Mutual plc in respect of Ms Johnson. Any performance bonus payable to Mr Moyo and Mr Troskie will be delivered 60% in cash and 40% in ordinary shares vesting on the third anniversary of the grant date, subject to continued employment. Any performance bonus payable to Ms Johnson will be delivered 100% in cash.

The remuneration payable to the Directors will not be varied in consequence of the Admissions, save in respect of:

- the Executive Directors who have received awards under the Old Mutual plc managed separation incentive plan ("Old Mutual plc MSIP") and the Emerging Markets managed separation incentive plan ("Emerging Markets MSIP"); and
- the non-executive Directors who will receive fees as Directors as approved by the Board and Shareholders prior to Admission, which will be approved by Shareholders at each annual general meeting after the Admissions, but will be reviewed in line with best practice after the Admissions.

In accordance with the JSE Listings Requirements and the King Code (as defined in Annexe 18 to this Pre-listing Statement), Shareholders will be entitled to vote annually, on a non-binding advisory basis on the Company's remuneration policy, including the implementation report forming part thereof as envisaged in the King Code.

Save as disclosed under "Remuneration of Directors" above and "Interests of Directors and Senior Management" below, none of the Directors has received any remuneration or benefits from (i) any holding company of the Company, (ii) any subsidiary or fellow subsidiary of the Company, (iii) any associate of the Company or of any entity included in (i) or (ii), (iv) a joint venture of the Company or an entity included in (i) to (iii), or (v) entities that provided management or advisory services to the Company or any of the entities included in (i) to (iv).

No loans have been made or security furnished by the Company or by any of its subsidiaries to or for the benefit of any Director or Senior Manager or any associate of any Director or Senior Manager of the Company. In this regard, see paragraph 1.10 below.

Save in relation to Peter Moyo and Casper Troskie as disclosed under "Remuneration of Directors" above, within 3 years of the date of this Pre-listing Statement, no payments were made to, or have been agreed to be paid to, any Director of the Company or any company in which he/she is beneficially interested, directly or indirectly, or of which he/she is a director (the "Associate Company") or to any partnership, syndicate or other association of which he/she is a member (the "Associate Entity") either to induce him/her to become, or to qualify him/her as a Director of the Company or otherwise for the services rendered by him/her or by the Associate Company or the Associate Entity in connection with the promotion or formation of the Company.

## 1.8 **Remuneration of Senior Management**

The aggregate amount of fees and remuneration paid or accrued as payable by the Group to Senior Management, including pension, retirement or similar contributions, during the financial year ended 31 December 2017 was R118,474,081. This excludes the remuneration of the Executive Directors of the Company which are disclosed in the tables above.

## 1.9 Interests of Directors and Senior Management

As at the Last Practicable Date, other than Carin Ogden, no Directors, including Directors who have resigned in the preceding 18 months, (and their associates) or members of Senior Management of the Company held direct and indirect beneficial interests in the Ordinary Shares:

Name	Direct beneficial	Indirect beneficial	Total	% of issued Ordinary Share capital
<b>Ordinary Shares</b>				
Carin Ogden <sup>(1)</sup>	1	–	1	100
<b>Total</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>100</b>

**Note:**

1. A director of CoSec Consulting Services, the service provider appointed by Old Mutual plc to provide and customise the Company. Carin Ogden resigned as a Director on 6 March 2018.

On the Admission Date, it is expected that the Directors, including Directors who have resigned in the preceding 18 months (and their associates) or members of Senior Management, will hold the following direct and indirect beneficial interests in the Ordinary Shares:

Name	Direct beneficial	Indirect beneficial	Total	% of issued Ordinary Share capital
<b>Ordinary Shares</b>				
Carin Ogden <sup>(1)</sup>	–	–	–	–
Manuel, Trevor Andrew	437	–	437	0.0000%
Baloyi, Paul Cambo	2,100	–	2,100	0.0000%
De Beyer, Peter Gerard	962	–	962	0.0000%
Du Toit, Matthys Michielse	–	–	–	–
Essien, Albert Kobina	–	–	–	–
Kgaboesele, Itumeleng	–	13,500	13,500	0.0003%
Lister, John Robert	–	–	–	–
Magwentshu-Rensburg, Sizeka Monica	–	–	–	–
Moholi, Nombulelo Thokozile	–	–	–	–
Mokgosi-Mwantembe, Thoko Martha	–	–	–	–
Molope, Carol Winifred Nosipho	–	–	–	–
Mwangi, James Irungu	–	–	–	–
Naidoo, Vassi	5,000	23,500	28,500	0.0006%
Rapiya, Bahleli Marshall	1,487	–	1,487	0.0000%
Sehoole, Ignatius Simon	612	6,260	6,872	0.0001%
Van Graan, Stewart William	350	–	350	0.0000%
Moyo, Mthandazo Peter	67,044	1,443,468	1,510,512	0.0306%
Johnson, Ingrid Gail	67,293	402,773	470,066	0.0095%
Troskie, Casparus Gerhardus	72,000	–	72,000	0.0015%
Baepi, Joel Motsweng	69,585	210,062	279,647	0.0057%
Berelowitz, Raymond Barnett	43,130	245,037	288,167	0.0058%
Buenfil, David Ivan	–	327,569	327,569	0.0066%
Chinaka, Clement	40,833	308,506	349,339	0.0071%
Lee, Vuyolwethu Seanele Maisela	6,020	304,407	310,427	0.0063%
Macready, David	–	848,797	848,797	0.0172%
Morule, Karabo	102,754	357,759	460,513	0.0093%
Mushosho, Jonas	17,466	–	17,466	0.0004%
Nethengwe, Clarence Tsakani	93,555	203,081	296,636	0.0060%
Treagus, Richard Graham	36,316	213,833	250,148	0.0051%
Williamson, Iain George	65,690	490,730	556,421	0.0113%
Wilken, Johannes Willem	–	19,850	19,850	0.0004%
<b>Total</b>	<b>692,634</b>	<b>5,419,132</b>	<b>6,111,766</b>	<b>0.1238%</b>

**Note:**

1. On or before the First Scheme and Demerger Record Time Carin Ogden will transfer the 1 Ordinary Share held by her to the company secretary of the Company.

### 1.10 **Senior Management incentives and Directors' interests in transactions**

Except for the disclosed service agreements, the disclosed interests set out under the section titled "Part XX – Additional Information" and under this "Part VIII – Management and Corporate Governance" in this Pre-listing Statement, the Directors (including the Directors that have resigned during the last 18 months) have no material beneficial interests in transactions that were effected by the Group during the current or immediately preceding financial year or during an earlier financial year where the benefits in respect of the contract effected in the earlier financial year remain in any respect outstanding or unperformed. Other than as set out below in "Managed Separation Incentive Plans – Old Mutual plc MSIP" and in Annexe 10 to this Pre-listing Statement, the Old Mutual plc MSIP and the Emerging Markets MSIP, none of the Directors has been granted any share options or awards or any other right which would have had the same or a similar effect in respect of providing a right to such Director to subscribe for Ordinary Shares.

Save as set out below, none of the Directors has any potential conflict of interest between their duties to the Group and their private interests. Certain Directors are directors of, or have an interest in, entities in which the Group also has an interest. Certain of these entities do not, or will not in future, form part of the Group for the reasons set out below:

- Peter Moyo is a founder and a non-executive director of NMT Capital and holds an equity interest in NMT Capital and NMT Group. OMLACSA has provided equity and preference share funding to the NMT Group and has also provided preference share funding to a family trust of Peter Moyo, which trust has an equity interest in NMT Capital. As disclosed under "Remuneration of Directors", as at the Last Practicable Date, Peter does not receive any remuneration as a non-executive director of NMT Capital; and
- Vassi Naidoo is the chairperson of the board of directors of Nedbank and serves on various other Nedbank boards of directors as a non-executive director. Following the completion of the Nedbank Unbundling, the Group will retain a minority shareholding of 19.9% of the issued share capital of Nedbank in its shareholder funds. As disclosed under "Remuneration of Directors", as at the Last Practicable Date, Vassi receives remuneration as a non-executive director on various Nedbank boards of directors.

The Group has a 70% interest in Old Mutual Direct Holdings Proprietary Limited ("OMDH"). Johannes Willem Wilken, a member of the Senior Management and acting chief executive officer of Old Mutual Insure, together with 2 other persons ("360 Troy Partnership") hold a 30% minority interest in OMDH, through which the 360 Troy Partnership receives 30% of Emerging Markets' effective aggregate beneficial economic interest in iWyze. The 360 Troy Partnership and Emerging Markets have entered into a shareholders agreement, which governs their relationship as shareholders in OMDH and includes provisions that are common for an agreement of this nature (including certain buy out rights in favour of Emerging Markets and a put option to sell in favour of the 360 Troy Partnership). The OMDH strategic alliance was established before Hannes Wilken became the acting chief executive officer of Old Mutual Insure and a member of Senior Management. For further information regarding the strategic alliance, see Annexe 11 to this Pre-listing Statement.

In accordance with the Group's Conflict of Interest Policy and the protocols applicable to Peter Moyo and his interests in the NMT Group, as described under "Conflict of interest", these interests have been declared to the Group's company secretary and the Board, and, to the extent applicable and appropriate, will be dealt with in accordance with the Group's Conflict of Interest Policy and relevant protocols (if applicable).

For a description of the Related Party Transactions (as defined in Annexe 18 to this Pre-listing Statement) entered into by the Group, please see "Part XX – Additional Information—Related Party Transactions".

### 1.11 **Managed Separation Incentive Plans**

#### *Old Mutual plc MSIP*

To align Old Mutual plc's senior management team to the completion of the Managed Separation within a finite period, whilst unlocking and creating shareholder value, Old Mutual plc proposed, and on 26 June 2016, Old Mutual plc Shareholders approved, a new directors' remuneration policy for the Old Mutual plc Group ("New Old Mutual plc Policy"), which includes a single, focused long-term incentive plan (the Old Mutual plc MSIP) covering the period to completion of the Managed Separation. Old Mutual plc MSIP participants will only receive a single award, up to the maximum value, under the New Old Mutual plc Policy. The New Old Mutual plc Policy will remain in operation post the Second Scheme Effective Time.

The Old Mutual plc MSIP incentivises the participants to:

- execute the Managed Separation process;
- deliver performance in the underlying Old Mutual plc Group businesses;
- unlock and create long-term shareholder value; and
- operate within a robust risk framework.

Under the Old Mutual plc MSIP, an award has been made to Ingrid Johnson. Her Old Mutual plc MSIP award is a once-off award of nil cost share options granted in 2016. The award is linked to a performance scorecard of strategic, financial and total shareholder return objectives and targets. Measurement of the metrics and vesting of the award will occur when it is determined that Managed Separation has been materially completed, although total shareholder return may be measured for an extended period beyond completion. 50% of the award will vest on determination that Managed Separation is materially completed and 50% of the award is subject to a 1-year holding period post-vesting.

Further information on the Old Mutual plc MSIP (including the maximum potential pay-out and payment at threshold, performance measures, weighting and time period applicable) is set out in the New Old Mutual plc Policy and is available on Old Mutual plc's website at [www.oldmutualplc.com](http://www.oldmutualplc.com).

#### *Emerging Markets MSIP*

In October 2016, the Emerging Markets Remuneration Committee approved the Emerging Markets MSIP, with similar objectives to those set out in the Old Mutual plc MSIP. Awards were made to Executive Directors and Senior Management under the Emerging Markets MSIP, based on a scorecard of measures reflecting their deliverables in support of the Managed Separation.

Under the Emerging Markets MSIP, an award has been made to Peter Moyo. His Emerging Markets MSIP award is a once-off award and is linked to delivery against specifically agreed performance targets of his Emerging Markets MSIP scorecard. Subject to an assessment of the relevant Managed Separation outcomes by the Remuneration Committee, in conjunction with other Board committees, 50% of the award will vest in cash on Admission and the remaining 50% of the award will be awarded in Ordinary Shares (the number of Ordinary Share to be determined with reference to their market value at that time) which will vest after 12 months. A pro-rating factor was applied in determining his Emerging Markets MSIP award. This took into account the time that has lapsed since the inception of the Emerging Markets MSIP and his appointment. The award was made with reference to his total guaranteed package at the time of award and potential pay-outs at on-target, stretch or maximum, subject to the achievement of the approved performance targets.

The Remuneration Committee will report annually on progress and its general assessment of achievement of the Old Mutual plc MSIP, as it relates to the Group, and the Emerging Markets MSIP.

## **2. Corporate Governance**

### **2.1 Commitment**

The Company is committed to principles of sound governance and application of the highest ethical standards in the conduct of its business and affairs. The Board is committed to the principles of diligence, honesty, integrity, transparency, accountability, responsibility and fairness. The Directors accept full responsibility for the application of these principles to ensure that the principles of good corporate governance are effectively practised throughout the Group. Furthermore, the Board understands and accepts its responsibility to safeguard and represent the interests of the stakeholders of the Company in perpetuating a successful and sustainable business that ensures the achievement of the Group's strategic objectives.

### **2.2 Approach**

The Board is responsible for ensuring that the Group complies with all of its statutory obligations as specified in the Company MOI, the Companies Act, the JSE Listings Requirements, the Malawi Stock Exchange Listings Requirements, the Namibian Stock Exchange Listings Requirements, the UKLA Rules (as defined in Annexe 18 to this Pre-listing Statement), the Zimbabwe Stock Exchange Listings Requirements and all other regulatory requirements. The Directors endorse the King Code and recognise the need to conduct the affairs of the Group with integrity and in accordance with generally accepted corporate practices. In discharging this responsibility, the intention is to apply the principles of the King Code in both letter and spirit. The Directors recognise that they are ultimately responsible for the financial performance of the Company. The Directors have proactively taken steps to ensure full compliance with the Companies Act, the JSE Listings Requirements, the Malawi Stock Exchange Listings Requirements, the Namibian Stock Exchange Listings Requirements, the UKLA Rules and the Zimbabwe Stock Exchange Listings Requirements and the application of the principles of the King Code. A full analysis of the steps taken by the Group to comply with the King Code is set out in Annexe 16 to this Pre-listing Statement. The primary ongoing obligations on listed companies in the United Kingdom are contained in the UKLA Rules. However, as the Company will not obtain a premium listing (as defined in Annexe 18 to this Pre-listing Statement) on the UK Official List, the Company will not be required, as a matter of law, to comply with the UK Corporate Governance Code.

## 2.3 ***Appointment and Board Diversity Policy***

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. In this regard, the Board has adopted the Appointment and Board Diversity Policy, a copy of which has been made available on the Company's website at [www.oldmutual.com](http://www.oldmutual.com).

In terms of the Appointment and Board Diversity Policy, in considering the composition of the Board, cognisance shall be taken of the gender and racial mix in order to represent the demographics of the markets in which it operates and to promote race diversity at the level of the Board. The individual Board members will contribute to the collective blend of knowledge, skills, resources, objectivity and experience of the Board. A diverse Board will include and make good use of differences in the skills, experience, background, academic qualifications, technical expertise, knowledge, nationality, age, race, gender and other distinctions between members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective. The Board will consider whether its size, diversity and demographics make it effective.

## 2.4 ***Chairperson and Chief Executive Officer***

The Board is chaired by Trevor Manuel, an independent non-executive Director. The chairperson is responsible for providing leadership to the Board and overseeing its efficient operation and has been tasked with ensuring effective corporate governance practices.

The CEO, Peter Moyo, is responsible for leading the implementation and execution of the approved strategy, policy and operational planning of the Group, as well as ensuring that the day-to-day affairs of the Group are appropriately supervised and controlled.

## 2.5 ***Board***

The size and composition of the Board is determined by the Shareholders, subject to the Company MOI, applicable legislation and regulatory requirements and the King Code. The Board consists of 3 Executive Directors and 16 non-executive Directors, 13 of whom are independent. In accordance with the Company's board charter ("Board Charter"), the Board composition reflects a majority of non-executive Directors. Pursuant to the abovementioned composition and the policies set out in the Board Charter, no Director has unfettered powers of decision making.

The Board largely comprises Directors who were previously appointed to the board of directors of OMGH. On 30 October 2017, OMGH publicly announced the appointment of 7 new directors to its board of directors. These appointments were made to augment the skills and expertise of the OMGH board of directors (which, for the most part, are now members of the Board) while ensuring continuity during the implementation of the Managed Separation.

The Board's responsibilities include providing the Group with clear strategic direction, ensuring that there is adequate succession planning at senior levels, reviewing operational performance and management, and reviewing policies and processes which seek to ensure the integrity of the Group's risk management and internal controls.

The Board is ultimately responsible for the management of the Group's business, strategy and key policies. The Board is also responsible for approving the Group's financial objectives and targets. In addition, the Board has to oversee the banking and insurance operations of the Group and needs to ensure compliance with all statutory and regulatory requirements, and in particular, the Companies Act, the JSE Listings Requirements, the Malawi Stock Exchange Listings Requirements, the Namibian Stock Exchange Listings Requirements, the UKLA Rules and the Zimbabwe Stock Exchange Listings Requirements.

The Board has established a written delegation of authority, which sets out a framework for the delegation of authority to management and decisions the Board wishes to reserve for itself. The delegated authority will be regularly reviewed and monitored.

The non-executive Directors bring an independent view to the Board's decision making. None of the Directors, other than the Executive Directors, has a fixed term of appointment and all of the non-executive Directors are subject, by rotation, to retirement and re-election by Shareholders at least every 3 years (subject to a maximum tenure of 3 terms of 3 years), in accordance with the Company MOI. For the purposes of clause 29.7.1 of the Company MOI, when determining the identity of the Directors who have been longest in office since their last election for rotation purposes, and notwithstanding the retirement of all elected Directors at the first annual general meeting of the Company in accordance with the JSE Listings Requirements, consideration shall also be given to the date of appointment of any Director as a non-executive director of Emerging Markets and/or Old Mutual plc (whichever occurred earlier), for so long as any such Director served in such capacity prior to being appointed to the Board. The mandatory retirement age for non-executive directors will be 70 years, subject to any duly motivated exceptions as approved by the Board, on recommendation from the Corporate Governance and Nominations Committee.



Each Director shall be identified and selected by the Board, as assisted by the Corporate Governance and Nominations Committee, the recommendation of which shall be subject to final approval by the Board. Directors shall be appointed and removed in accordance with the applicable provisions of the Company MOI, the Companies Act, the FSR Act and any other applicable law or regulatory provision.

The Board shall comprise a balance of non-executive and Executive Directors with a majority of non-executive Directors, of whom the majority shall be independent. The Board shall further comprise an appropriate mix of knowledge, skills, experience, diversity and independence to provide the necessary breadth and depth of knowledge and experience to meet the Board's responsibilities and objectives objectively and efficiently, which will be assessed annually by the chairperson of the Board in consultation with the Corporate Governance and Nominations Committee. The Corporate Governance and Nominations Committee will follow a transparent and formal process in recommending suitable candidates for the Board's consideration.

The Board should have a minimum of 2 Executive Directors, being the CEO and the CFO.

The Board will meet as often as required, but at least 5 times annually. Information relevant to a meeting must be supplied on a timely basis to the Board, ensuring Directors can make informed decisions. The Directors have unrestricted access to information about the Company and its Senior Management and, where appropriate, may seek independent advice on matters within the Board's mandate, at the Company's expense.

## 2.6 **Board committees**

As provided for in the Company MOI and the Board Charter, the Board is supported and assisted by the Audit Committee, the Corporate Governance and Nominations Committee, the Technology and Platforms Committee, the Remuneration Committee, the Risk Committee, the Responsible Business Committee (incorporating Social and Ethics) and the Related Party Transaction Committee (as defined in Annexe 18 to this Pre-listing Statement), which have clear mandates and oversight responsibility for various aspects of the business. The responsibilities delegated to each committee are formally documented in the terms of reference for that committee, which have been approved by the Board and are reviewed at least every year. The current composition of each of the committees is set out below.

### *Audit Committee*

The Audit Committee is chaired by Ignatius Sehoole, an independent non-executive Director, and its other members are 4 independent non-executive Directors, Paul Baloyi, Itumeleng Kgaboesele, John Lister and Nosipho Molope, and 1 non-executive director, Peter de Beyer.

This committee meets at least 4 times a year (and when a special meeting is requested by the external auditors or audit director, being the head of internal audit) and is responsible for performing the functions required of it in terms of section 94(7) of the Companies Act and the other functions in terms of its mandate. These functions include (i) nominating for appointment of the Group's auditors and ensuring that such auditors are independent of the Company, (ii) determining the auditors' fees and terms of engagement, (iii) ensuring that the appointment of the auditors complies with the provisions of the Companies Act and any other relevant legislation, (iv) determining, from time to time, the nature and extent of non-audit services to be provided by the Group's auditors and to pre-approve any agreement in respect of such services, (v) preparing a report to be included in the annual financial statements of the Company, in compliance with the Companies Act, (vi) receiving and dealing with any concerns and complaints (whether from within or outside the Group, or on its own initiative) relating to accounting practices and internal audits of the Group, the content or auditing of the Group's financial statements, financial reporting (procedures related thereto) and control and related matters, (vii) making submissions to the Board on any matter concerning the Group's accounting policies, financial control, records and reporting, and (viii) performing such oversight functions as may be determined by the Board.

The Audit Committee will work closely with the Risk Committee, and the chairperson of the Audit Committee and the chairperson of the Risk Committee will be members of each other's committees, and will liaise with each other to minimise duplication.

Other functions of the Audit Committee include overseeing the external audit process and the scope and performance of internal audit, monitoring the Group's governance compliance and independently reviewing and monitoring the integrity of the Group's financial statements and, to the extent delegated by the Board, the management of financial and other risks that affect the integrity of other external reports issued by the Group and the effectiveness of its systems of governance, systems of risk management and internal control, and the effectiveness and objectivity of the internal and external auditors; and overseeing the effectiveness of the Group's assurance function and services, and ensuring compliance with the statutory duties of the committee as contained in relevant legislation. The Audit Committees of the South African businesses will continue to review KPMG's ongoing engagement in the context of the new Mandatory Audit Firm Rotation rules that were introduced in South Africa in June 2017 to be effective from 1 April 2023. As part of assessing the impact of these rules, the South African businesses will need to consider the transitional requirements in relation to auditor independence.

Committee members have unrestricted access to information about the Group falling within the committee's mandate and management of the Group and, where appropriate, may seek the advice of independent professionals on matters within the Audit Committee's mandate at the expense of the Company.

The Audit Committee shall normally invite the CEO, the CFO, the audit director (being the head of internal audit), the Group Head of Tax and the lead partners of the Group's external auditors to attend meetings. The audit director shall have unfettered access to discuss matters falling within its ambit with the chair of the Audit Committee.

The Audit Committee reviews the expertise, experience and performance of the CFO annually and reports on whether or not it is satisfied therewith. The Audit Committee confirms this review by reporting to the Shareholders in the annual report of the Group that it has executed this responsibility. The Audit Committee has determined that it is satisfied with the CFO's current expertise and experience. In addition, the Audit Committee ensures that the Group's internal audit function is appropriately resourced and equipped to perform in accordance with appropriate professional standards for internal auditors. The Audit Committee is also responsible for the establishment of appropriate financial reporting procedures, confirmation that such procedures and their financial controls are adequate and are operating effectively.

#### *Corporate Governance and Nominations Committee*

The Corporate Governance and Nominations Committee is chaired by Trevor Manuel, the Chairman of the Board and an independent non-executive Director, and its other 7 members are Peter de Beyer, Matthys du Toit, Nombulelo Moholi, Sizeka Magwentshu-Rensburg, Thoko Mokgosi-Mwantembe, John Lister and Ignatius Sehoole.

Each of the members of this committee chairs a Board committee, except for Peter de Beyer who previously chaired the Emerging Markets Corporate Governance and Nominations Committee.

The Corporate Governance and Nominations Committee meets at least 4 times a year prior to scheduled meetings of the Board.

This committee is responsible for identifying individuals qualified to be elected as members of the Board and Board committees, recommending such individuals to the Board for appointment in terms of the Company MOI and the Appointment and Board Diversity Policy, as well as to establish procedures to ensure that the selection of individuals for such recommendation is transparent. Furthermore the Corporate Governance and Nominations Committee will establish formal and transparent procedures for the appointment of Directors.

The Corporate Governance and Nominations Committee will identify successors to the Board chairperson and the CEO and recommend such successors to the Board.

The Corporate Governance and Nominations Committee will review regularly, the structure, size and composition of the Board and its committees, and will make recommendations to the Board with regard to any adjustments that are deemed necessary to ensure the required mix of skills, experience, other qualities and diversity to ensure the effectiveness of those bodies in compliance with applicable laws and regulations.

The Corporate Governance and Nominations Committee is responsible for corporate governance and compliance matters as outlined in the Group governance framework.

#### *Technology and Platforms Committee*

The Technology and Platforms Committee is chaired by Nombulelo Moholi, an independent non-executive Director, and its other members are 3 independent non-executive Directors, Thoko Mokgosi-Mwantembe, Stewart van Graan and James Mwangi and 1 Executive Director, Peter Moyo (CEO).

This committee meets at least 4 times a year prior to scheduled meetings of the Board. This committee is established to have strategic oversight and governance of the Group's strategic investment in IT, telecommunications, software, systems and wider technology, as well as data protection and information management.

The Technology and Platforms Committee's responsibilities include (i) reviewing and monitoring the strategic investment in technology in the context of the Board approved Group business strategy, (ii) providing governance oversight and making recommendations to the Board in respect of strategic technology projects, information and data management, strategic technology-related acquisitions and disposals, technology suppliers, technology contractual arrangements involving services, developments, licences, maintenance, support, hosting, networking, data protection and other technology arrangements, including, *inter alia*, agreements relating to the technology systems, hardware and software, telecommunications, networking, services, data hosting and facilities of the Group, and key technology-related and data management decisions to be made by the Group, (iii) approving, on behalf of the Company's, OMLACSA's, Old Mutual Africa Holdings Limited's and Old Mutual Insure's boards of directors, key technology, information management and technology-related acquisitions, disposals, suppliers, services, developments, licences, maintenance, support, hosting, networking, data protection, information processing and other agreements that have a financial impact within the prescribed limits, in line with the Group delegation of authority framework, and (iv) monitoring the technology, data protection and information management risks of the Group and understanding the Group's overall exposure to technology, data protection and information management risks from a strategic and business perspective.

With the prior notification to the Technology and Platforms Committee chair, the Technology and Platforms Committee may take advice from independent professionals on matters relating to matters within the Technology and Platforms Committee's mandate at the expense of the Company.

#### *Remuneration Committee*

The Remuneration Committee is chaired by Thoko Mokgosi-Mwantembe, an independent non-executive Director, and its other members are 3 independent non-executive Directors, Matthys du Toit, Itumeleng Kgaboesele and Sizeka Magwentshu-Rensburg.

This committee meets at least 4 times a year prior to scheduled meetings of the Board. The CEO, the Human Resources Director and the Group Head of Reward will have a standing invitation to attend all meetings of the committee and the committee may further invite any executive management team members or other individuals to attend meetings of the committee as they consider appropriate.

The Remuneration Committee's responsibilities are to (i) independently review and monitor the integrity of the Group's remuneration policies and implementation thereof; (ii) ensure that the Company remunerates fairly, responsibly and transparently; and (iii) ensure compliance with the statutory duties of the committee as contained in relevant legislation.

In fulfilment of these responsibilities, the Remuneration Committee's functions include (i) reviewing executive remuneration and benefits, (ii) ensuring the Directors and Senior Management are fairly and responsibly rewarded for their individual contributions to the Group's overall performance, (iii) reviewing and approving the remuneration for the CEO and the Senior Management, (iv) reviewing and approving the remuneration and annual salary increase of Group's company secretary, (v) evaluating the Group's remuneration and benefit competitiveness, (vi) reviewing and approving the overall annual increase pool awarded to the Group employees and monitoring the annual overall salary percentage increases of Senior Management and lower level employees, (vii) approving employment agreements, offers of employment as well as severance agreements for the Group CEO and the executive leadership team, (viii) reviewing and monitoring the implementation of the Group's incentive, benefits and/or equity-based remuneration plans, and making recommendations to the Board with respect to new incentive, benefits and/or equity-based remuneration plans, (ix) reviewing the potential risk in respect of the Group's remuneration and benefit programmes and policies, (x) annually evaluating and monitoring the Group's remuneration philosophy and practices, and (xi) actively engaging with Shareholders on concerns raised in the event the remuneration policy or implementation report, or both, receive an "against" vote of 25% or more of the voting rights exercised at any Shareholders meeting.

The Remuneration Committee shall review annually and make recommendations to the Board on the remuneration of non-executive Directors, for approval by the Shareholders.

#### *Risk Committee*

The Risk Committee is chaired by John Lister, an independent non-executive Director, and its other members are 7 non-executive Directors, Paul Baloyi, Peter de Beyer, Albert Essien, Marshall Rapiya, Ignatius Sehoole, Stewart van Graan and Nosipho Molohe and 1 Executive Director, Peter Moyo (CEO). The majority of the Committee are independent non-executive Directors of the Company.

The Risk Committee meets at least 4 times a year prior to scheduled meetings of the Board and is established to independently review management's recommendations on risk management, particularly in relation to the structure and implementation of the risk strategy, system of governance, risk management framework, any internal capital model, the quality and effectiveness of the related internal controls and reporting processes, risk appetite limits and exposures, and the overall risk profile of the business. The Risk Committee's functions include (i) monitoring and providing recommendations to the Board on the Group's risk management systems, including the systems, processes, methodologies and tools of risk governance and risk management, the internal capital model, and annual operating plans for overall risk management, forensics, compliance and second line of defence actuarial function, (ii) reviewing, approving and recommending risk measurement methodologies to the Board, including methodologies used to identify, assess, measure, monitor and report on risks, including methods used for the calculation of risk exposures, capital requirements, scenario analysis and stress testing, and the identification and recording of actual losses, and (iii) monitoring and reviewing the regulatory compliance processes and procedures. The committee has oversight and will ensure that the Group complies with all risk related principles as set out in the adopted Group governance framework.

There will be some cross-membership between the Risk Committee and the Audit Committee, with typically, the chairperson of each committee serving as a member of the other, but no person will be the chairperson of both committees at the same time.

The CFO and the Chief Risk Officer of the Company shall be a standing invitee to the Risk Committee meetings.

### *Responsible Business Committee (incorporating Social and Ethics)*

The Responsible Business Committee (incorporating Social and Ethics) is chaired by Sizeka Magwantshu-Rensburg, an independent non-executive Director, and its other members are Trevor Manuel, an independent non-executive Director and 5 non-executive Directors, Albert Essien, Nombulelo Moholi, Marshall Rapiya, James Mwangi, Peter de Beyer and Peter Moyo.

This committee meets at least 4 times a year prior to scheduled meetings of the Board.

The primary purpose of the Responsible Business Committee (incorporating Social and Ethics) is to oversee the Group's activities in sustainable social and economic development which, *inter alia*, include public safety, HIV/Aids, environmental management, corporate social investment, consumer relationships, labour and employment, the promotion of equality and ethics management. This committee will also assist the Board to monitor the extent to which the Company is achieving its shared value goals by overseeing the Company's efforts in the delivery of shared value and responsible business practices.

This committee is responsible for ensuring and monitoring compliance with all applicable laws (including the Companies Act), as well as relevant codes and standards relating to B-BBEE, employment equity, environmental management, health and safety, HIV/Aids, corporate social responsibility, consumer relationships and human resources. Its responsibilities further include (i) reviewing the strategies and policies of the Group designed to achieve responsible corporate citizenship at least every second year, (ii) reviewing and approving the Group code of ethics and the Group's stakeholder management plan and policy, and (iii) reporting to Shareholders as required in terms of the Companies Act.

### *Related Party Transaction Committee*

The Related Party Transaction Committee is chaired by Matthys du Toit, an independent non-executive Director, and its other members are James Mwangi and Stewart van Graan. All members are independent non-executive Directors of the Company.

The committee meets at least 4 times a year and the Chairperson may at any time convene a meeting of the committee in order to consider a Related Party Transaction.

The committee was established by the Board in order to have strategic oversight and governance over Related Party Transactions concluded, or to be concluded, between the Company and any related party (as defined in its terms of reference), but not limited to, loans, guarantees, outsourcing arrangements, reinsurance arrangements, asset transfers and investments.

The committee has unrestricted access to information pertaining to the Group within the committee's mandate and the committee may, with prior notice to the Board, take independent advice on matters falling within its scope at the expense of the Company. The committee is a decision-making body and its recommendations in respect of Related Party Transactions are binding.

## **2.7 Disclosure Committee**

The Company will establish a Disclosure Committee to assist and inform the decisions of the CEO and CFO concerning the identification of inside information and to make recommendations about how and when the Company should disclose that information in accordance with the Company's disclosure policy. The Disclosure Committee shall also procure the disclosure of inside information which directly concerns the Company as soon as possible as required by Market Abuse Regulation (Regulation 596/2014/EU) the FMA and the JSE Listings Requirements.

The Disclosure Committee will be chaired by the CFO, and its other members are the company secretary, the director of governance, regulatory and corporate affairs, the chief risk officer and the head of investor relations. The Chairman, the CEO and a representative from the compliance department may also participate in the Disclosure Committee.

The Disclosure Committee will be established in order to enable the CEO and CFO to successfully ensure that any disclosure made by the Company is in compliance with the JSE Listings Requirements, the UKLA requirements for a standard listing, the Malawi Stock Exchange Listings Requirements, Namibian Stock Exchange Listing Requirements and Zimbabwe Stock Exchange Listing Requirements, as applicable.

The Disclosure Committee's purpose will be to ensure that the Group implements and maintains internal procedures for the timely collection, evaluation and accurate disclosure, as appropriate, of information potentially subject to public disclosure under the relevant legal, regulatory and listings requirements to which the Group is subject and which is made available in the market place or to the investment community.

The responsibilities of the Disclosure Committee will include assisting the CFO and CEO in the design, implementation operation and periodic evaluation of the adequacy and effectiveness of disclosure controls and procedures, reviewing and advising on the scope, timing and content of disclosure and resolving questions

relating to the materiality, treatment of information and avoiding false marketing, determining whether certain issues give rise to inside information which requires disclosure, assessing relevant and substantive market rumours or speculation and recording the disclosures required and made in various markets.

## **2.8 Conflict of interest**

In dealing with conflicts of interest, legislation will apply in the first instance. Members of the Board will comply with the Group's Conflict of Interest Policy, which must be approved by the Board. Directors are obliged to disclose in a timely manner all direct or indirect conflicting and personal financial interests that are held by them and their related and inter-related persons as contemplated in section 2 and section 75 of the Companies Act. Full disclosures should be made in writing and be submitted to the Group's company secretary who will submit it to the Board at the first subsequent Board meeting thereafter. Enduring, material conflicts of interest are regarded by the Board as incompatible with the fiduciary duties of Directors.

Any possible conflict of interest shall at all times be declared in the manner prescribed by law, and/or in the Company MOI as soon as a Director becomes aware of the conflict (and in any event prior to the consideration of the matter to which the conflict relates, at any Board meeting). The Director concerned shall not participate in a discussion or vote on the subject matter and will leave the meeting immediately after making the requisite disclosure. In particular, declarations of conflicts involving Board members are submitted to the Corporate Governance and Nominations Committee for consideration.

In addition, the Board has adopted certain protocols for identifying, monitoring and managing actual or perceived conflicts of interest which may arise in relation to the appointment of Peter Moyo as CEO of the Company and his interests in the NMT Group. The conflicts of interest provisions in these protocols are similar to the provisions in the Group's Conflict of Interest Policy.

## **2.9 Company secretary**

Elsabé Margaretha Kirsten is a suitably qualified, competent and experienced company secretary and is appropriately empowered to fulfil her duties with regard to assistance to the Board. The Corporate Governance and Nominations Committee is responsible for recommending a suitable candidate for appointment as the company secretary and reviews the competence, qualifications and experience of the company secretary annually and reports on whether or not it is satisfied therewith. The Corporate Governance and Nominations Committee has determined that it is satisfied with the company secretary's competence, qualifications, experience, independence and suitability.

The company secretary of the Company is required to provide the Directors, collectively and individually, with guidance as to their duties, responsibilities and powers. The company secretary is also required to ensure that the Directors are aware of all laws and legislation relevant to, or affecting, the Company and to report to the Board any failure on the part of the Company or a Director to comply with the Company MOI, the Group governance framework or other applicable legislation and regulatory requirements. The company secretary acts as an adviser to the Board and plays a pivotal role in ensuring compliance with statutory regulations and the Group governance framework, the induction of new Directors, tabling information on relevant regulatory and legislative changes, and giving guidance to the Directors regarding their duties and responsibilities.

The company secretary is not a Director of the Company and, the Board having specifically considered the matter, has an arm's length relationship with the Board (and this has been the case prior to the Admissions), who can also remove the company secretary from office, in accordance with the recommended practice of the King Code. The company secretary assists the Corporate Governance and Nomination Committee with the appointment, induction and training of Directors, provides guidance to the Board's duties and good governance and ensures that Board and Board committee charters are kept up to date. The company secretary prepares and circulates Board papers and assists with obtaining responses, input and feedback for Board and Board committee meetings. Assistance is also provided with regard to the preparation and finalisation of Board and Board committee agendas based on annual work plan requirements. The company secretary assists with the annual evaluations of the Board, Board committees and individual Directors.

The company secretary must certify in the Group's annual financial statements whether the Group has filed required returns and notices in terms of the Companies Act, and whether all such returns and notices appear to be true, correct and up to date, and ensure that a copy of the Group's annual financial statements is sent, in accordance with the Companies Act, to every person who is entitled to it.

The company secretary is also required to ensure that there are minutes of all Shareholders' meetings, and that Directors' meetings and any committee meetings of the Directors are properly recorded in accordance with sections 24(3)(d) and (e) and section 73 of the Companies Act.

## 2.10 ***Shareholders' communication***

In all communications with Shareholders, the Board aims to present a balanced and understandable assessment of the Group's position. This is done through adhering to principles of openness and substance over form and striving to address material matters of significant interest and concern to all Shareholders. The Company will prepare, and distribute to Shareholders, an annual integrated report, as a primary form of communication with Shareholders, in accordance with applicable law.

The Board will encourage Shareholders' attendance at general meetings, and, where appropriate, will provide full and understandable explanations of the effects of resolutions to be proposed.

Subject to the applicable law, communication with institutional Shareholders and investment analysts will be maintained through periodic presentations of financial results, one-on-one visits, trading statements and press announcements of interim and final results, as well as the proactive dissemination of any information considered relevant to Shareholders.

The Board will use its best endeavours to familiarise itself with issues of concern to its relevant stakeholders and should strive to achieve the appropriate balance between the legitimate interests and expectations of the various relevant stakeholder groupings, in its decision-making in the best interests of the Company.

## PART IX

### IMPORTANT FINANCIAL AND OTHER INFORMATION

#### 1. Presentation of Historical Financial Information

The table below illustrates the treatment of Old Mutual plc Group's segments, as contained in the Historical Financial Information of the Old Mutual plc Group as at and for the 3 financial years ended 31 December 2017 (the "Historical Financial Information of the Old Mutual plc Group") set out in Annexes 1C and 1D of this Pre-listing Statement.

	Old Mutual plc Group		Group
	Income statement/Statement of Comprehensive Income		Adjusted Headline Earnings
	Continuing Operations	Discontinued Operations	
Emerging Markets	✓		✓
Residual Plc (including Bermuda)	✓		
Nedbank <sup>(1)</sup>		✓	✓
Quilter		✓	
OMAM		✓	

**Note:**

- As at 31 December 2017, the Old Mutual plc Group held approximately 53% of the issued share capital of Nedbank, of which 1% is held on behalf of policyholders, with the remaining 52% held in its shareholder funds. In the Historical Financial Information of the Old Mutual plc Group, the total interest of 53% increases to 55% due to IFRS requirements to eliminate treasury shares. Following the completion of the Nedbank Unbundling, the Group will cease consolidating Nedbank into its financial results in accordance with IFRS. Thereafter, the Group will commence equity accounting for its 19.9% shareholding of the issued share capital of Nedbank which will result in the initial recognition of the minority shareholding in Nedbank at fair value.

This Pre-listing Statement includes:

The Historical Financial Information of the Old Mutual plc Group is set out in Annexe 1A, 1B, 1C and 1D as follows:

- Annexe 1C: Report of Historical Financial Information of the Old Mutual plc Group, including financial information, accounting policies and notes including the consolidated financial information, accounting policies and notes to the consolidated financial information;
- Annexe 1D: Selected Notes to the Historical Financial Information of the Old Mutual plc Group solely for JSE purposes;
- Annexe 1A: Basis of preparation in respect of the Report of Historical Financial Information of the Old Mutual plc Group for JSE Purposes, including basis of preparation in respect of Annexes 1C and 1D for purposes of the Admission of the Company on the JSE;
- Annexe 1B: Basis of preparation in respect of the Report of Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes, including basis of preparation in respect of Annexe 1C in accordance with the UK Prospectus Regime for purposes of the UK Admission;
- Annexes 1A, 1C and 1D together jointly form the Historical Financial Information of the Old Mutual plc Group for JSE Purposes; and
- Annexes 1B and 1C together jointly form the Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes.

Although the independent reporting accountant's report and basis of preparation required to comply with the JSE Listings Requirements is different to that required to comply with the UK Prospectus Regime, no adjustments have been required to Annexe 1C under the 2 regimes. Please refer to Annexe 1 for further detail on the reason for two bases of preparation.

- The report of Historical Financial Information of the Old Mutual plc Group set out in Annexe 1C, sets forth both continuing operations and discontinued operations. The continuing operations represent the principal business activities of the Group subsequent to the Managed Separation. The discontinued operations comprise OMAM, Quilter plc and Nedbank (together, the "Separated Businesses"). The consolidated statement of financial position set out in Annexe 1C consolidates Quilter plc and Nedbank in non-current assets held for sale for the 2017 financial year. OMAM was sold during the 2017 financial year and is therefore not consolidated in the statement of financial

position for the 2017 financial year. At the date of this Pre-listing Statement, the Company is a dormant South African company. Immediately prior to the Admissions, the Company will be inserted as the holding company of Old Mutual plc pursuant to the Second Scheme as part of the Managed Separation.

- The Historical Financial Information of the Company, which comprises the statement of financial position, summary of significant accounting policies and related notes of the Company for the financial period from 29 May 2017 to 31 January 2018 prepared for JSE purposes only in accordance with IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council. The Historical Financial Information of the Company and the related independent reporting accountant's audit report thereon issued by KPMG Inc. for JSE purposes only, are attached as Annexe 3 and Annexe 4, respectively, to this Pre-listing Statement.

As at 31 December 2017, the Old Mutual plc Group held approximately 53% of the issued share capital of Nedbank, of which 1% is held on behalf of policyholders, with the remaining 52% held in its shareholder funds. In the Historical Financial Information of the Old Mutual plc Group, the total interest of 53% increases to 55% due to IFRS requirements to eliminate treasury shares. Nedbank is classified as held for distribution and presented as part of the discontinued operations, notwithstanding the Old Mutual plc Group's stated intention to hold a minority shareholding of 19.9% in the issued share capital of Nedbank in its shareholder funds after the Nedbank Unbundling. Between the Admissions and prior to the completion of the Nedbank Unbundling, the Group expects to maintain its 55% shareholding in Nedbank and remain its controlling shareholder. The interest in Nedbank will be indirectly held by the Company after its insertion as the holding company of Old Mutual plc. Following the completion of the Nedbank Unbundling, the Group will cease consolidating Nedbank into its financial results in accordance with IFRS. Thereafter, the Group will commence equity accounting for its shareholding in Nedbank which will result in the initial recognition of the minority shareholding in Nedbank at fair value.

Unless otherwise indicated, the historical and other financial information in this Pre-listing Statement has been prepared in accordance with IFRS as issued by the International Accounting Standards Board, as amended from time to time, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and the Financial Pronouncements as issued by the Financial Reporting Standards Council and adjusted to improve the disclosure in order to achieve compliance with IFRS as issued by the IASB and paragraphs 8.11 and 8.12 of the JSE Listings Requirements, where applicable.

The Group will publish its financial statements in Rand. For historical information regarding rates of exchange between the Rand, Pound sterling, US Dollar, Euro, Colombian peso and Nigerian Naira, please see "Part XVII – Exchange Rates".

Certain information presented in this Pre-listing Statement, including in a number of tables, has been rounded to the nearest whole number or the nearest decimal place. Therefore, when presented in a table, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this Pre-listing Statement reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

## 2. ***Pro forma* Financial Information of the Group**

A *pro forma* consolidated income statement for the financial year ended 31 December 2017 and a *pro forma* statement of financial position as at 31 December 2017 are set out as follows:

- Annexe 5C: The *pro forma* financial information and the detailed notes thereto;
- Annexe 5A: Basis of compilation in respect of the *Pro forma* Financial Information of the Group JSE purposes;
- Annexe 5B: Basis of compilation in respect of the *Pro forma* Financial Information of the Group for PD Regulation Purposes prepared in accordance with the UK Prospectus Regime;
- Annexes 5A and 5C together jointly form the *Pro forma* Financial Information of the Group for JSE Purposes; and
- Annexes 5B and 5C together jointly form the *Pro forma* Financial Information of the Group for PD Regulation Purposes.

Although the independent reporting accountant's report and basis of preparation required to comply with the JSE Listings Requirements is different to that required to comply with the UK Prospectus Regime, no adjustments have been required to Annexe 5C to this Pre-listing Statement under the 2 regimes. Please refer to Annexe 5 to this Pre-listing Statement for further detail on the reason for two bases of preparation.

## 3. **Key Performance Indicators**

This Pre-listing Statement includes certain alternative performance measures ("Key Performance Indicators") that are not measures defined by IFRS and that will be used by the Group to provide greater insight into the financial performance, financial position and cash flows of the Group and the way it is managed, and which are unaudited. These Key Performance Indicators include Adjusted Headline Earnings, which is the primary profit measure of the Group, and Results from Operations, which is the primary performance measure of the Group's operational segments and quantifies the segments' contribution to the Group's Adjusted Headline Earnings. Historically, the Old Mutual plc



Group's primary profit measure was adjusted operating profit ("AOP"), which the Group, when part of the Old Mutual plc Group, defined as a normalised profit measure that adjusted IFRS profit for the impact of acquisitions and disposals, short-term fluctuations and IFRS accounting treatments that did not fairly reflect the economics of the Old Mutual plc Group's operations. AOP also excluded the results of non-core operations. For a reconciliation of AOP to Adjusted Headline Earnings, please see "Part X – Selected Financial Information – Reconciliation of AOP to Adjusted Headline Earnings". The Key Performance Indicators should not be considered as alternatives to the Historical Financial Information of the Old Mutual plc Group prepared in accordance with IFRS. The Key Performance Indicators are included because the Board believes that they enhance an investor's understanding of the Group's results of operations and financial performance as they present additional financial measures regularly used by the Group to assess operating performance. Most of the Key Performance Indicators are industry benchmarks; however, they are not uniformly defined by all companies and therefore they may not be directly comparable with similarly titled measures and disclosures by other companies. Adjusted Headline Earnings is adjusted for items not reflective of the economic performance of the Group. Details of the adjusting items and a reconciliation of Results from Operations and Adjusted Headline Earnings to the nearest IFRS measure are provided in "Part X – Selected Financial Information – Adjusted Headline Earnings".

The Group defines the following Key Performance Indicators:

- Results from Operations as Adjusted Headline Earnings before tax and minority interest, excluding net investment return on shareholder assets and finance costs. It will be the primary measure of the business performance of the Group's individual segments and will quantify the segments' contribution to the Group's Adjusted Headline Earnings.
- Adjusted Headline Earnings as headline earnings, defined by SAICA Circular 2/2015 adjusted for items that are not reflective of the economic performance of the Group as further described in "Part X – Selected Financial Information – Adjusted Headline Earnings".
- RoNAV is calculated as Adjusted Headline Earnings divided by average Adjusted IFRS equity. Adjusted IFRS Equity is calculated as total Group equity attributable to ordinary equity shareholders before adjustments related to consolidation of funds. It excludes equity related to Residual plc and discontinued operations and is further adjusted to recognise the equity attributable to the retained 19.9% interest in Nedbank in its shareholder funds from the 2015 financial year onwards. From the time of the Nedbank Unbundling, the equity attributable to Nedbank will be adjusted to remove the one-off fair value adjustment required under IFRS and the same adjustment will be applied when calculating RoNAV on an ongoing basis. The average Adjusted IFRS equity will be calculated on a quarterly basis for each reporting year.
- Free Surplus Generation as the difference between Adjusted Headline Earnings and the amount of capital required by the businesses to grow in line with the Group's strategy. This metric includes adjustments for non-fungible earnings and only includes Nedbank's contribution as a dividend and as such is a measure of surplus cash generated by the Group available for distribution or investment.
- Gross flows as gross cash flows received from customers during the period by Group businesses engaged in Life and Savings and Asset Management.
- Life APE sales as a standardised measure of the volume of new life insurance business written. It is calculated as the sum of new business recurring premiums (annualised) and 10% of the new single premiums written in an annual reporting period.
- Net client cash flows ("NCCF") as the difference between gross flows and cash returned to customers (e.g. claims, surrenders, maturities) during the period.
- FUM as the total market value of funds managed by the Group at the point at which funds flow into the Group.
- VNB as the discounted value of expected future profits arising from new life insurance business sold in the reporting period.
- VNB margin as VNB divided by present value of new business premiums ("PVNBP"), where PVNBP is the discounted value of expected future life insurance premiums from new recurring premium business, plus 100% of new single premiums. The VNB margin reflects how much future profit is expected from each future life insurance premium and therefore measures the profitability of new business sold.
- GWP as the value of premiums that a property and casualty insurer is entitled to receive from its insurance business in a period before adjustments for reinsurance premiums. It is a measure of sales performance in Group businesses engaged in Property and Casualty.
- Underwriting margin as underwriting result as a percentage of net premiums earned. It is calculated for the Property and Casualty businesses across the Group.
- Loans and advances as the balance of gross loans and advances for Group businesses engaged in Banking and Lending. The amounts are gross of impairments on all performing, arrears and default loans.
- Net lending margin as net interest income plus non-interest revenue minus credit losses, as a percentage of average loans and advances over the period.

#### **4. End-User, Market and Industry Information**

The Company has obtained market data and certain industry forecasts used in this Pre-listing Statement from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, internal surveys, estimates and market research, while believed to be reliable, have not been independently verified, and the Company does not make any representation as to the accuracy of such information and/or the veracity or appropriateness of research methodology, findings or information. Although the Board has no reason to believe this information is incorrect, Old Mutual plc Shareholders are cautioned that actual circumstances could differ substantially from those set out in this Pre-listing Statement.

The Company has obtained industry or market data that is available to it as at the Last Practicable Date. The Company does not intend, and does not assume any obligation, to update industry or market data set forth in this Pre-listing Statement. Because market behaviour, preferences and trade are subject to change, prospective investors should be aware that the end-user, market and industry information in this Pre-listing Statement and estimates based on any data therein may not be reliable indicators of future market performance or the Group's future results of operations. The Company confirms that all such data contained in this Pre-listing Statement has been accurately reproduced and, so far as the Company is aware and able to ascertain, no facts have been omitted that could render the reproduced information inaccurate or misleading.

#### **5. Last Practicable Date**

The statements contained in this Pre-listing Statement are made as at the Last Practicable Date, unless some other time is specified in relation to them, and issuance of this Pre-listing Statement shall not give rise to any implication that there has been no change in the facts set forth herein since such date. Nothing contained in this Pre-listing Statement shall be deemed to be a forecast, projection or estimate of the future financial performance of Old Mutual plc, Quilter plc, the Company or their respective groups except where otherwise stated.

#### **6. Managed Separation**

This Pre-listing Statement has been prepared in connection with the Admissions of the Company as part of the Managed Separation, and, unless the context otherwise requires, assumes that the Resolutions proposed in connection with the Managed Separation, which are set out in the Scheme Circular, will be passed at the General Meeting, that the Court sanctions the Schemes and that the Managed Separation is approved by all relevant regulatory authorities and, save for the Nedbank Unbundling, is implemented. A more detailed description of the Managed Separation is set out in "Part XIX – Managed Separation".

#### **7. Forward-Looking Statements**

This Pre-listing Statement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "projects", "should" or "will", or, in each case, their negative, other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Pre-listing Statement and include, but are not limited to, statements regarding Old Mutual plc and/or Quilter plc and/or the Company and their respective groups' intentions, beliefs or current expectations concerning, among other things, results of operations, prospects, growth, strategies and expectations of their respective businesses.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of Old Mutual plc and/or Quilter plc and/or the Company and their respective groups' operations and the development of the markets and the industry in which they operate or are likely to operate and their respective operations may differ materially from those described in, or suggested by, the forward-looking statements contained in this Pre-listing Statement. In addition, even if the results of operations and the development of the markets and the industry in which Old Mutual plc and/or Quilter plc and/or the Company and their respective groups operate, are consistent with the forward-looking statements contained in this Pre-listing Statement, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations or advancements in research and development and the other factors discussed in the section titled "Part II – Risk Factors" and elsewhere in this Pre-listing Statement.

Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Pre-listing Statement reflect the Company and the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to Old Mutual plc and/or Quilter plc and/or the Company and their respective groups' operations, results of operations and growth strategy. Old Mutual plc Shareholders should specifically consider the factors identified in this Pre-listing Statement which could cause actual results to differ before making a decision on the Managed Separation as envisaged in the Scheme Circular.

None of Old Mutual plc, Quilter plc or the Company nor any member of their respective groups undertakes or is subject to any obligation to update the forward-looking statements to reflect actual results or any change in events, conditions or assumptions or other factors unless otherwise required by the JSE Listings Requirements, the UKLA Rules, the Malawi Stock Exchange Listings Requirements, the Namibian Stock Exchange Listings Requirements and the Zimbabwe Stock Exchange Listings Requirements.

Old Mutual plc Shareholders should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Pre-listing Statement.

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## PART X

### SELECTED FINANCIAL INFORMATION

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The Company is a holding company which will become the holding company of the Group (including Old Mutual plc) pursuant to the Second Scheme. Although the audited statutory financial statements of the Company for the period from 29 May 2017 to 31 January 2018 have been included in this Pre-listing Statement, due to the Company being a dormant shell, the financial information relevant to an investor is that of the Old Mutual plc Group. The selected financial information has therefore been extracted from the Historical Financial Information of the Old Mutual plc Group. The consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows set out in the Historical Financial Information of the Old Mutual plc Group set forth both continuing operations and discontinued operations. The continuing operations represent the principal business activities of the Group subsequent to the Managed Separation. The discontinued operations reflected in the Historical Financial Information of the Old Mutual plc Group comprise the Separated Businesses. The consolidated statement of financial position set out in the Historical Financial Information of the Old Mutual plc Group consolidates Quilter plc and Nedbank in non-current assets and liabilities held for sale and distribution for the statement of financial position of the 2017 financial year. OMAM was sold during the 2017 financial year and is therefore not consolidated in the statement of financial position of the 2017 financial year. KPMG Inc. has issued an independent reporting accountant's audit report on the financial year ended 31 December 2017 and an independent reporting accountant's review report on the 2 financial years ended 31 December 2016 in respect of the Historical Financial Information of the Old Mutual plc Group for JSE Purposes. KPMG LLP has issued an independent reporting accountant's report in respect of the Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes.

As at 31 December 2017, the Old Mutual plc Group held approximately 53% of the issued share capital of Nedbank, of which 1% is held on behalf of policyholders, with the remaining 52% held in its shareholder funds. In the Historical Financial Information of the Old Mutual plc Group, the total interest of 53% increases to 55% due to IFRS requirements to eliminate treasury shares. Nedbank is classified as held for distribution and presented as part of the discontinued operations, notwithstanding the Group's stated intention to hold a minority shareholding of 19.9% in the issued share capital of Nedbank in its shareholder funds after the Nedbank Unbundling. Between the Admissions and the completion of the Nedbank Unbundling, the Group expects to maintain its 55% shareholding in Nedbank and remain its controlling shareholder. The interest in Nedbank will be indirectly held by the Company after its insertion as the holding company of Old Mutual plc. Following the completion of the Nedbank Unbundling, the Group will cease consolidating Nedbank into its financial results in accordance with IFRS. Thereafter, the Group will commence equity accounting for its shareholding in Nedbank, which will result in the initial recognition of the minority shareholding in Nedbank at fair value.

Certain financial measures presented in the Additional information table below are not measures defined by IFRS and will be used by the Group to provide greater insight into the financial performance, financial position and cash flows of the Group and the way it is managed. Most of the Key Performance Indicators are in line with industry disclosures; however, they are not uniformly defined by all companies and therefore they may not be directly comparable with similarly titled measures and disclosures by other companies. Adjusted Headline Earnings is adjusted for items not reflective of the economic performance of the Group. For details of the adjusting items, and a reconciliation of Results from Operations and Adjusted Headline Earnings to the nearest IFRS measure, please see "Adjusted Headline Earnings" below.

On 15 March 2018, OMSA and Lily Purchaser entered into the OMLAH SPA and AIVA SPA, in terms of which, *inter alia*, OMSA will dispose of its interests in OMLAH (ie Colombia and Mexico) and AIVA, including their direct and indirect subsidiaries and subsidiary undertakings, through which the Group's business in Latin America is currently conducted. These agreements are subject to certain conditions precedent, including obtaining the required regulatory approvals in the relevant jurisdictions. For further information on the transaction, please see "Part XX – Additional Information – Disposal of Property" and "Part XX – Additional Information – Material Contracts". On implementation of these transactions, the Group will no longer have any operations in Latin America.

The selected financial information presented below should be read in conjunction with the sections entitled "Part IX – Important Financial and Other Information" and "Part XI – Operating and Financial Review" and the Historical Financial Information of the Old Mutual plc Group included in Annexes 1C and 1D to this Pre-listing Statement.

The Directors accept responsibility for the Historical Financial Information of the Old Mutual plc Group and the Company Historical Financial Information contained in this Pre-listing Statement.

Selected consolidated income statement of the Old Mutual plc Group

	Year ended 31 December		
	2017	2016	2015
	(R million)		
<b>Continuing operations</b>			
<b>Revenue</b>			
Net earned premiums	65,743	68,006	62,102
Investment return (non-banking)	93,921	37,455	48,546
Banking interest and similar income	4,394	4,569	4,582
Banking trading, investment and similar income	97	280	102
Fee and commission income and income from service activities	11,547	11,265	10,218
Other income	1,884	1,230	1,182
<b>Total revenue</b>	<b>177,586</b>	<b>122,805</b>	<b>126,732</b>
<b>Expenses</b>			
Net claims and benefit incurred	(86,349)	(64,995)	(60,461)
Change in investment contract liabilities	(30,359)	(10,868)	(22,281)
Credit impairment charges	(715)	(873)	(1,214)
Finance costs	(4,012)	(2,555)	(972)
Banking interest payable and similar expenses	(1,278)	(1,795)	(1,800)
Fee and commission expenses, and other acquisition costs	(8,992)	(8,467)	(7,710)
Change in third party interest in consolidated funds	(11,405)	(2,336)	(3,065)
Other operating and administrative expenses	(26,993)	(25,286)	(23,141)
<b>Total expenses</b>	<b>(170,103)</b>	<b>(117,175)</b>	<b>(120,644)</b>
Share of associated undertakings' and joint ventures' profit after tax	160	191	284
Profit on disposal of subsidiaries, associated undertakings and strategic investments	1,987	263	273
<b>Profit before tax</b>	<b>9,630</b>	<b>6,084</b>	<b>6,645</b>
Income tax expense	(4,118)	(2,838)	(2,907)
<b>Profit from continuing operations after tax</b>	<b>5,512</b>	<b>3,246</b>	<b>3,738</b>
Profit from discontinued operations after tax	14,852	13,570	13,405
<b>Profit after tax for the financial year</b>	<b>20,364</b>	<b>16,816</b>	<b>17,143</b>
<b>Attributable to equity holders of the parent</b>	<b>14,372</b>	<b>11,351</b>	<b>11,094</b>
<b>Non-controlling interests</b>			
Ordinary shares	5,402	5,026	5,678
Preferred securities	590	439	371
<b>Profit after tax for the financial year</b>	<b>20,364</b>	<b>16,816</b>	<b>17,143</b>

**Selected consolidated statement of financial position of the Old Mutual plc Group**

	<b>At 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(R million)</i>		
<b>Assets</b>			
Goodwill and other intangible assets	6,653	41,897	74,763
Mandatory reserve deposits with central banks	94	18,836	16,346
Property, plant and equipment	8,081	15,127	15,984
Investment property	31,903	28,769	28,139
Deferred tax assets	1,084	1,620	6,485
Investments in associated undertakings and joint ventures	1,789	9,183	11,736
Deferred acquisition costs	3,086	12,826	17,886
Reinsurers' share of policyholder liabilities	4,220	52,824	60,714
Loans and advances	21,483	730,906	706,568
Investments and securities	722,249	1,702,105	1,914,538
Current tax receivable	1,064	1,255	1,958
Trade, other receivables and other assets	21,875	40,973	44,404
Derivative financial instruments	4,101	22,719	70,199
Cash and cash equivalents	30,761	82,175	100,666
Assets held for sale and distribution	2,188,443	145,300	2,808
<b>Total assets</b>	<b>3,046,886</b>	<b>2,906,515</b>	<b>3,073,194</b>
<b>Liabilities</b>			
Life insurance contract liabilities	159,514	169,243	176,034
Investment contract liabilities with discretionary participating features	193,425	170,963	161,677
Investment contract liabilities	288,164	1,144,732	1,386,622
Property and Casualty liabilities	8,285	8,181	7,788
Third party interests in consolidated funds	81,573	135,319	135,740
Borrowed funds	18,866	79,585	80,413
Provisions and accruals	2,385	2,713	4,551
Deferred revenue	1,378	4,909	6,258
Deferred tax liabilities	5,088	7,458	9,514
Current tax payable	1,711	2,460	4,254
Trade, other payables and other liabilities	42,355	86,678	85,528
Amounts owed to bank depositors	12,440	768,223	737,649
Derivative financial instruments	4,498	19,681	75,682
Liabilities held for sale and distribution	2,043,759	119,458	268
<b>Total liabilities</b>	<b>2,863,441</b>	<b>2,719,603</b>	<b>2,871,978</b>
<b>Net assets</b>	<b>183,445</b>	<b>186,912</b>	<b>201,216</b>
<b>Shareholders' equity</b>			
Equity attributable to equity holders of the parent	136,678	134,678	152,418
<b>Non-controlling interests</b>			
Ordinary shares	40,910	47,012	45,237
Preferred securities	5,857	5,222	3,561
Total non-controlling interests	46,767	52,234	48,798
<b>Total equity</b>	<b>183,445</b>	<b>186,912</b>	<b>201,216</b>

**Selected consolidated statement of cash flows of the Old Mutual plc Group**

	<b>At 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(R million)</i>		
Net cash inflow from operating activities from continuing operations	13,206	12,348	12,643
Net cash outflow from investing activities from continuing operations	(3,498)	(9,235)	(31,376)
Net cash (outflow)/inflow from financing activities from continuing operations	(20,945)	(11,801)	2,293
<b>Net cash outflow from continuing operations</b>	<b>(11,237)</b>	<b>(8,688)</b>	<b>(16,440)</b>
<b>Net cash inflow from discontinued operations</b>	<b>10,221</b>	<b>6,496</b>	<b>18,528</b>
Effects of exchange rate changes on cash and cash equivalents	(1,290)	(12,636)	11,246
Cash and cash equivalents at beginning of the year	102,640	117,468	104,134
<b>Cash and cash equivalents at end of year</b>	<b>100,334</b>	<b>102,640</b>	<b>117,468</b>

## 1. Reconciliation of non-IFRS measures

### 1.1 Adjusted Headline Earnings

Historically, the Old Mutual plc Group's primary profit measure was AOP. The Group, when part of the Old Mutual plc Group, defined AOP as a normalised profit measure that adjusted IFRS profit for the impact of acquisitions and disposals, short-term fluctuations and IFRS accounting treatments that did not fairly reflect the economics of the Old Mutual plc Group's operations. AOP also excluded the results of non-core operations. The Group has decided to adopt Results from Operations and Adjusted Headline Earnings as the primary profit measures for the financial year following the Admissions. For the purposes of this Pre-listing Statement, the new profit measures have been calculated for the 2017, 2016 and 2015 financial years.

The following table sets out the build-up of Adjusted Headline Earnings, including Results from Operations for the 2017, 2016 and 2015 financial years.

	Year ended/At 31 December		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
Mass and Foundation Cluster	3,052	2,843	2,624
Personal Finance	3,150	3,421	3,073
Wealth and Investments	1,490	1,461	1,770
Old Mutual Corporate	1,576	1,403	1,522
Old Mutual Insure	524	255	497
Rest of Africa	1,081	861	771
LatAm and Asia	609	611	524
Central expenses <sup>(1)</sup>	(506)	(660)	(1,046)
<b>Results from Operations<sup>(2)</sup></b>	<b>10,976</b>	<b>10,195</b>	<b>9,735</b>
Shareholder investment return <sup>(3)</sup>	4,920	2,205	1,690
Finance cost <sup>(4)</sup>	(622)	(529)	(296)
Income from associates <sup>(5)</sup>	2,346	2,282	2,155
<b>Adjusted Headline Earnings before tax</b>	<b>17,620</b>	<b>14,153</b>	<b>13,284</b>
Shareholder tax <sup>(6)</sup>	(3,723)	(3,148)	(3,122)
Non-controlling interest	(488)	(240)	(348)
<b>Adjusted Headline Earnings</b>	<b>13,409</b>	<b>10,765</b>	<b>9,814</b>

#### Notes:

- Central expenses represent the cost to support the operating activities of the Group. It also includes costs associated with the implementation of accounting changes, new regulatory requirements and infrastructure investment, other than costs related to the Managed Separation. The costs of the central items are managed as part of other Group activities.
- Results from Operations for each segment is adjusted for items that were previously excluded from AOP. Adjustments mainly relate to the amortisation of acquired intangible assets, impairments of intangible and fixed assets as well as profit on disposals of fixed assets. Please see "– Segmental Key Performance Indicators" in "Part XI – Operating and Financial Review" for detail of these adjustments per segment.
- Represents actual investment return on shareholder assets, net of costs to generate it.
- Represents finance costs on long-term debt, excluding Residual plc, that supports the capital structure of the Group, including fair value gains and losses on hedged fixed rate bonds of R12 million and R54 million in the 2017 and 2016 financial years, respectively. In the 2017 and 2016 financial years it excludes finance costs relating to banking and operational debt to the amount of R110 million and R77 million.
- Following the Nedbank Unbundling, the Group will retain a proposed shareholding of 19.9% in the issued share capital of Nedbank in its shareholder funds. Consistent with this income presented reflects the proportionate headline earnings that would have been earned from the investment in Nedbank, with effect from 1 January 2015. In accordance with IFRS, the Nedbank shareholding of approximately 55% is classified as held for distribution and presented as part of the discontinued operations in the Historical Financial Information of the Old Mutual plc Group.
- Includes tax effects of adjusting items to derive Adjusted Headline Earnings. A net tax income of R25 million and a net tax expense of R20 million in the 2017 and 2016 financial years, respectively, with no tax impact to the 2015 financial year.



The following table sets forth a reconciliation of Adjusted Headline Earnings of the Group to profit after tax attributable to equity holders of the parent for the 2017, 2016 and 2015 financial years.

	Year ended/At 31 December		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
<b>Adjusted Headline Earnings</b>	<b>13,409</b>	<b>10,765</b>	<b>9,814</b>
Investment return for Group equity and debt instruments in life funds <sup>(1)</sup>	(1,355)	(864)	(610)
Impact of restructuring <sup>(2)</sup>	(54)	124	(71)
Discontinued operations	8,008	8,332	10,348
Income from associates <sup>(3)</sup>	(2,346)	(2,282)	(2,155)
Residual plc <sup>(4)</sup>	(4,518)	(3,061)	(4,800)
<b>Headline earnings</b>	<b>13,144</b>	<b>13,014</b>	<b>12,526</b>
Impairment of goodwill and other intangibles <sup>(5)</sup>	(1,106)	(1,783)	(267)
Impairment of investments in associates	–	(557)	–
Profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments	2,081	399	(1,639)
<b>Profit/(loss) after tax for the financial year attributable to ordinary equity holders of the parent</b>	<b>14,119</b>	<b>11,073</b>	<b>10,620</b>
Dividends on preferred securities	253	278	474
<b>Profit/(loss) after tax for the financial year attributable to equity holders of the parent</b>	<b>14,372</b>	<b>11,351</b>	<b>11,094</b>

**Notes:**

1. This adjustment ensures that Adjusted Headline Earnings includes investment returns on policyholder investments in group equity and debt instruments held by the Group's life funds. These returns are eliminated in the consolidated income statement of Old Mutual plc, which is not consistent with how the related policyholder liability is measured.
2. Represents the elimination of material non-recurring expenses, specifically related to business restructuring costs such as Managed Separation costs, the costs or income associated with completed acquisitions and the release of acquisition date provisions. The 2016 financial year includes the release of an acquisition reserve in the Mass and Foundation Cluster.
3. Following the Nedbank Unbundling, the Group will retain a proposed 19.9% shareholding in Nedbank in shareholder funds. Consistent with this income presented reflects the proportionate headline earnings that would have been earned from the investment in Nedbank, with effect from 1 January 2015. In accordance with IFRS, the Nedbank shareholding of approximately 55% is classified as held for distribution and presented as part of the discontinued operations in the Historical Financial Information of the Old Mutual plc Group.
4. Residual plc consists of the Old Mutual plc's net assets, remaining Head Office functions and the operations of Bermuda.
5. Mainly comprises goodwill impairment but also includes amounts related to impairment of fixed assets and profit on disposal of fixed assets and intangible assets.

## 1.2 Reconciliation of AOP to Adjusted Headline Earnings

The following table sets forth a reconciliation of AOP to Adjusted Headline Earnings for the 2017, 2016 and 2015 financial years:

	Year ended/At 31 December		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
<b>AOP (pre-tax)</b>	<b>13,326</b>	<b>12,731</b>	<b>12,418</b>
LTIR <sup>(1)</sup>	(2,974)	(2,951)	(2,838)
Shareholder investment return <sup>(2)</sup>	5,120	2,375	1,914
Amortisation of acquired intangible assets and acquisition costs	(221)	(351)	(362)
Impairment of intangible assets and fixed assets	23	67	(3)
Income from associates <sup>(3)</sup>	2,346	2,282	2,155
<b>Adjusted Headline Earnings before tax and non-controlling interests</b>	<b>17,620</b>	<b>14,153</b>	<b>13,284</b>
Shareholder tax	(3,723)	(3,148)	(3,122)
Non-controlling interest	(488)	(240)	(348)
<b>Adjusted Headline Earnings</b>	<b>13,409</b>	<b>10,765</b>	<b>9,814</b>

**Notes:**

1. The long-term investment return ("LTIR") adjustment when calculating AOP assumed the long-term return that could be earned on investible shareholder assets. Shareholder returns are no longer smoothed and actual returns are included to derive Adjusted Headline Earnings. The amounts for the 2016 and 2015 financial years include R398 million and R417 million, respectively, which relate to restated LTIR on excess shareholder capital.
2. Represents actual investment return on shareholder assets, net of costs to generate it. Amounts include investment return on insurance funds to the amount of R200 million, R170 million and R224 million related to Old Mutual Insure for the 2017, 2016 and 2015 financial years, respectively. These amounts are presented in Old Mutual Insure's Results from Operations.
3. Following the Nedbank Unbundling, the Group will retain a proposed shareholding of 19.9% in the issued share capital of Nedbank in shareholder funds. Consistent with this, the income presented reflects the proportionate headline earnings that would have been earned from the investment in Nedbank, with effect from 1 January 2015. In accordance with IFRS, the Nedbank shareholding of approximately 55% is classified as held for distribution and presented as part of the discontinued operations in the Historical Financial Information of the Old Mutual plc Group.

## 2. Additional information

This Pre-listing Statement contains Key Performance Indicators that will be used by the Group to provide greater insight into the financial performance, financial position and cash flows of the Group and the way it is managed.

The Group has identified the following Key Performance Indicators as key indicators to monitor performance at a consolidated level. Following the implementation of the SAM regime, the Group will also focus on SAM Solvency Cover as a Key Performance Indicator, and target a SAM Solvency Cover of 155% to 175%, following the Nedbank Unbundling. This target has been set based on our interpretation of draft prudential standards as at the date of reporting, which may change. Certain methodologies used will be subject to regulatory approval. The amounts in the table below are representative of the principal operating business of the Group over the long term. For the reconciliations of certain Key Performance Indicators to the nearest IFRS equivalent, please see "– Adjusted Headline Earnings" and Annexe 1D: Selected Notes to The Old Mutual Plc Group Historical Financial Information Solely for JSE Purposes.

	Year ended/At 31 December		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
Results from Operations <sup>(1)</sup>	10,976	10,195	9,735
Adjusted Headline Earnings <sup>(2)</sup>	13,409	10,765	9,814
RoNAV <sup>(3)</sup>	22.3%	18.9%	18.8%
Free Surplus Generation <sup>(4)</sup>	60%	57%	62%
Gross flows <sup>(5)</sup>	235,264	231,353	231,697
Life APE sales <sup>(6)</sup>	13,089	13,526	12,732
NCCF <sup>(7)</sup>	31,752	26,238	44,151
FUM <sup>(8)</sup>	1,244,359	1,143,365	1,134,760
VNB <sup>(9)</sup>	2,256	2,173	2,394
VNB margin <sup>(10)</sup>	3.3%	3.2%	3.3%
GWP <sup>(11)</sup>	16,135	16,173	14,297
Underwriting margin <sup>(12)</sup>	2.5%	1.5%	2.8%
Loans and advances <sup>(13)</sup>	23,311	25,848	25,360
Net lending margin <sup>(14)</sup>	13.8%	14.0%	14.0%

**Notes:**

1. Results from Operations is Adjusted Headline Earnings before shareholder tax and minority interest, excluding net investment return on shareholder assets and finance costs.
2. Adjusted Headline Earnings as headline earnings defined by SAICA Circular 2/2015 adjusted for items that are not reflective of the economic performance of the Group as further described in "Part X – Selected Financial Information – Reconciliation of non-IFRS measures".
3. RoNAV is calculated as Adjusted Headline Earnings divided by average Adjusted IFRS equity. Adjusted IFRS Equity is calculated as total Group equity attributable to ordinary equity shareholders before adjustments related to consolidation of funds. It excludes equity related to Residual plc and discontinued operations and is further adjusted to recognise the equity attributable to the retained 19.9% interest in Nedbank from the 2015 financial year onwards. From the time of the Nedbank Unbundling, the equity attributable to Nedbank will be adjusted to remove the one-off fair value adjustment required under IFRS and the same adjustment will be applied when calculating RoNAV on an ongoing basis. The average Adjusted IFRS equity will be calculated on a quarterly basis for each reporting year.
4. Free Surplus Generation is the difference between Adjusted Headline Earnings and the amount of capital required by the businesses to grow in line with the Group's strategy. This metric includes adjustments for non-fungible earnings and only includes Nedbank's contribution as a dividend and as such is a measure of surplus cash generated by the Group available for distribution or investment.
5. Gross flows is the gross cash flows received from customers during the period by Group businesses engaged in Life and Savings and Asset Management. The intra-group eliminations related to gross flows previously recognised by other Old Mutual plc Group entities is no longer shown as an elimination for the Group as these will be considered third party sales on a go forward basis.
6. Life APE sales is a standardised measure of the volume of new life insurance business written. It is calculated as the sum of new business recurring premiums (annualised) and 10% of the new single premiums written in an annual reporting period.
7. NCCF is the difference between gross flows and cash returned to customers (e.g. claims, surrenders, maturities) during the period. The intra-group eliminations related to gross and net flows previously recognised by other Old Mutual plc Group entities is no longer shown as an elimination for the Group as these will be considered third party sales on a go forward basis.

8. FUM is the total market value of funds managed by the Group, at the point at which funds flow into the Group. The intra-group eliminations related to FUM previously recognised by other Old Mutual plc Group entities is no longer shown as an elimination for the Group as these will be considered third party FUM on a go forward basis.
9. VNB is the discounted value of expected future profits arising from new life insurance business sold in the reporting period.
10. VNB margin as VNB divided by PVNBP, where PVNBP is the discounted value of expected future life insurance premiums from new recurring premium business, plus 100% of new single premiums. The VNB margin reflects how much future profit is expected from each future life insurance premium and therefore measures the profitability of new business sold.
11. GWP as the value of premiums that a property and casualty insurer is entitled to receive from its insurance business in a period, before adjustments for reinsurance premiums. It is a measure of sales performance in Group businesses engaged in Property and Casualty.
12. Underwriting margin as underwriting result as a percentage of net premiums earned. It is calculated for the Property and Casualty businesses across the Group.
13. Loans and advances as the balance of gross loans and advances for Group businesses engaged in Banking and Lending. The amounts are gross of impairments on all performing, arrears and default loans. The amount reflected does not include Nedbank. For the 2017 financial year, Banking and Lending-related metrics include Old Mutual Finance (Namibia) Proprietary Limited. Due to the immaterial nature of these adjustments, the 2016 and 2015 financial years have not been restated.
14. Net lending margin is net interest income plus non-interest revenue minus credit losses, as a percentage of average loans and advances over the period. The amounts reflected do not include Nedbank.

### 3. Reconciliation of non-IFRS measures

#### 3.1 Reconciliation of Segmental Key Performance Indicators

The following tables set out a breakdown of certain segmental Key Performance Indicators and reconcile them to the respective Group Key Performance Indicator for the 2017, 2016 and 2015 financial years:

	Year ended 31 December		
Gross flows	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
Mass and Foundation Cluster	12,022	10,848	9,822
Personal Finance	24,947	24,975	25,553
Wealth and Investments	88,250	93,735	93,183
Old Mutual Corporate	35,671	37,681	45,178
Rest of Africa	21,306	19,298	18,115
LatAm and Asia	63,325	54,881	42,462
South Africa eliminations <sup>(1)</sup>	(10,257)	(10,065)	(2,616)
<b>Group Total</b>	<b>235,264</b>	<b>231,353</b>	<b>231,697</b>

**Note:**

1. Sales of Old Mutual Corporate products sold through the retail platform are included in Personal Finance, Wealth and Investments and Old Mutual Corporate sales but eliminated on consolidation.

	Year ended 31 December		
Life APE sales	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
Mass and Foundation Cluster	4,091	3,956	3,636
Personal Finance	2,502	2,603	2,770
Wealth and Investments	1,112	1,078	987
Old Mutual Corporate	2,719	3,037	2,496
Rest of Africa	1,347	1,095	1,088
LatAm and Asia	1,877	2,325	2,017
South Africa eliminations <sup>(1)</sup>	(559)	(568)	(262)
<b>Group Total</b>	<b>13,089</b>	<b>13,526</b>	<b>12,732</b>

**Note:**

1. Sales of Old Mutual Corporate products sold through the retail platform are included in Personal Finance, Wealth and Investments and Old Mutual Corporate sales but eliminated on consolidation.

	Year ended 31 December		
<b>NCCF</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(R million, except as otherwise indicated)</i>		
Mass and Foundation Cluster	6,084	5,599	5,359
Personal Finance	(2,824)	(3,079)	(156)
Wealth and Investments	14,113	16,377	24,392
Old Mutual Corporate	(7,121)	3,736	4,714
Rest of Africa	2,221	3,247	4,415
LatAm and Asia	24,856	9,575	11,972
South Africa eliminations <sup>(1)</sup>	(5,577)	(9,217)	(6,545)
<b>Group Total</b>	<b>31,752</b>	<b>26,238</b>	<b>44,151</b>

**Note:**

1. Sales of Old Mutual Corporate products sold through the retail platform are included in Personal Finance, Wealth and Investments and Old Mutual Corporate sales but eliminated on consolidation.

	Year ended 31 December		
<b>FUM</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(R million, except as otherwise indicated)</i>		
Mass and Foundation Cluster	12,388	11,388	11,644
Personal Finance	193,691	184,065	179,262
Wealth and Investments	498,074	433,977	424,478
Old Mutual Corporate	255,559	245,411	233,094
Shareholder assets	40,301	40,446	47,161
Rest of Africa	103,951	89,638	88,987
LatAm and Asia	179,855	168,144	170,218
South Africa eliminations <sup>(1)</sup>	(39,460)	(29,704)	(20,084)
<b>Group Total</b>	<b>1,244,359</b>	<b>1,143,365</b>	<b>1,134,760</b>

**Note:**

1. Sales of Old Mutual Corporate products sold through the retail platform are included in both Personal Finance, Wealth and Investments and Old Mutual Corporate sales but eliminated on consolidation.

	Year ended 31 December		
<b>VNB</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(R million, except as otherwise indicated)</i>		
Mass and Foundation Cluster	1,236	1,055	1,204
Personal Finance	366	272	500
Wealth and Investments	157	178	153
Old Mutual Corporate	254	501	333
Rest of Africa	267	210	257
LatAm and Asia <sup>(1)</sup>	(24)	(43)	(53)
<b>Group Total</b>	<b>2,256</b>	<b>2,173</b>	<b>2,394</b>

**Note:**

1. VNB is not calculated in respect of life sales in Asia (India and China).

	Year ended 31 December		
<b>GWP</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(R million, except as otherwise indicated)</i>		
Old Mutual Insure	12,481	12,082	11,686
Rest of Africa	3,654	4,091	2,611
<b>Group Total</b>	<b>16,135</b>	<b>16,173</b>	<b>14,297</b>

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## PART XI

### OPERATING AND FINANCIAL REVIEW

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*The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, the Historical Financial Information of the Old Mutual plc Group and the related notes which were prepared in accordance with IFRS and are included elsewhere in this Pre-listing Statement. The following discussion should also be read in conjunction with "Part X – Selected Financial Information". The following discussion contains forward-looking statements based on assumptions about the Group's future performance that involve risks and uncertainties. The Group's earnings in the future may differ substantially from the expectations included in the forward-looking statements. Please see "Part II – Risk Factors" and "Special note regarding forward-looking statements".*

On 15 March 2018, OMSA and Lily Purchaser entered into the OMLAH SPA and AIVA SPA, in terms of which, inter alia, OMSA will dispose of its interests in OMLAH (ie Colombia and Mexico) and AIVA, including their direct and indirect subsidiaries and subsidiary undertakings, through which the Group's LatAm business is currently conducted. These agreements are subject to certain conditions precedent, including obtaining the required regulatory approvals in the relevant jurisdictions. For further information on the transaction, please see "Part XX – Additional Information – Disposal of Property" and "Part XX – Additional Information – Material Contracts". On implementation of these transactions, the Group will no longer have any operations in Latin America.

The Historical Financial Information of the Old Mutual plc Group for JSE Purposes has been audited for the 2017 financial year and reviewed for the 2016 and 2015 financial years by KPMG Inc., auditor and independent reporting accountant, as stated in their report appearing elsewhere in this Pre-listing Statement.

The Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes has been reported on by KPMG LLP, independent reporting accountant, as stated in their report appearing elsewhere in this Pre-listing Statement.

#### 1. Overview of the Business

The Group has an ambition to become a premium financial services group in sub-Saharan Africa and currently offers a broad spectrum of financial solutions to retail and corporate customers across key markets in 17 countries. The Group primarily operates in South Africa and the rest of Africa, and has niche businesses in Latin America and China. The Group holds a 53% stake in the issued share capital of Nedbank, which primarily operates in South Africa, the Rest of Africa and the United Kingdom, of which 1% is held on behalf of policyholders with the remaining 52% held in shareholder funds. After the Nedbank Unbundling, the Group will retain a minority of 19.9% of the issued share capital of Nedbank in its shareholder funds. The Group's lines of business include Life and Savings, Property and Casualty, Asset Management and Banking and Lending. It distributes products and services to customers through a multi-channel distribution network spanning tied and independent advisers, branches, bancassurance, direct and digital channels and worksites.

The Group manages its business through 7 operational segments: Mass and Foundation Cluster, Personal Finance, Wealth and Investments, Old Mutual Corporate, Old Mutual Insure, Rest of Africa and LatAm and Asia. The Group also manages a number of central activities, assets and liabilities, collectively referred to as Other Group Activities, which includes the management of the capital structure of the Group, the Group's shareholding in Nedbank and the operations of Residual plc.

#### 2. Preparation of Historical Financial Information of the Old Mutual plc Group

The consolidated income statement and the consolidated statement of cash flows set out in this Operating and Financial Review comprise the continuing operations as set out in the Historical Financial Information of the Old Mutual plc Group and represent the principal business activities of the Group subsequent to the Managed Separation. The discontinued operations reflected in the Historical Financial Information of the Old Mutual plc Group comprise the Separated Businesses. The Report of Historical Financial Information of the Old Mutual plc Group is attached as Annexe 1 to this Pre-listing Statement.

As at 31 December 2017, the Old Mutual plc Group held approximately 53% of the issued share capital of Nedbank, of which 1% is held on behalf of policyholders, with the remaining 52% held in its shareholder funds. In the Historical Financial Information of the Old Mutual plc Group, the total interest of 53% increases to 55% due to IFRS requirements to eliminate treasury shares. Nedbank is classified as held for distribution and presented as part of the discontinued operations, notwithstanding the Group's stated intention to hold a minority shareholding of 19.9% in the issued share capital of Nedbank in its shareholder funds after the Nedbank Unbundling. Between the Admissions and the completion of the Nedbank Unbundling, the Group expects to maintain its 55% shareholding in Nedbank and remain its controlling shareholder. The interest in Nedbank will be indirectly held by the Company after its insertion as the holding company of Old Mutual plc. Following the completion of the Nedbank Unbundling, the Group will cease consolidating Nedbank into its financial results in accordance with IFRS. Thereafter the Group will commence equity accounting for its shareholding in Nedbank, which will result in the initial recognition of the minority shareholding in Nedbank at fair value.

### 3. Key Factors Affecting the Group's Results of Continuing Operations

#### 3.1 *Macroeconomic and natural events*

The results of the Group are correlated to changes in the macroeconomic environment, specifically through the impact on the capital markets, lower consumer spending and exchange rate fluctuations. The Group's results may be impacted in a number of ways by changes and volatility in specific investment markets, economic conditions in general, or as a result of socio-political developments.

In South Africa, despite recorded sustained economic growth over much of the last decade, GDP growth slowed during the 2016 and 2015 financial years to 0.3% and 1.3%, respectively. Notwithstanding slower growth in 2015 and 2016, South Africa's economic growth rate recovered in 2017, registering 1.3% growth which exceeded National Treasury's expected growth of 1.0% (*National Treasury*). During 2017, South Africa's sovereign credit rating for both local and foreign currency debt was downgraded to sub-investment grade by most credit ratings agencies, following continued socio-political uncertainty and a low economic growth outlook. As a result, the Rand denominated government debt has been excluded from the JPMorgan Emerging Market Bond Index, but is still included in the Citi World Government Bond Index and Bloomberg Barclays EM Local Currency Government Index. Political uncertainty remains high, despite an improvement in market confidence following the election of Cyril Ramaphosa as the new president of South Africa in February 2018 and the cabinet reshuffle that followed. As at January 2018, the IMF forecasted real South African GDP growth of 0.9% for the 2018 financial year.

This macroeconomic pressure has reduced the disposable income of much of the Group's customer base, thereby reducing customer spending on insurance and investment products, particularly individual insurance products. This impact was observed over the 2017 and 2016 financial years through moderate sales of new insurance and investment products, as well as higher levels of lapses, surrenders and disinvestments from life insurance and investment products across the Group's segments. This has also led to greater price competition in the industry.

During the 2017 and 2016 financial years, the Group recorded higher claims on group disability and life assurance products as well as in the export trade division in Property and Casualty, in line with what was reported by other industry participants. The claims on these products are generally correlated to the economic cycle.

Property and Casualty has further been impacted by weather-related incidents, such as hailstorms and floods. During the 2017 financial year, a firestorm in the Western and Eastern Cape as well as severe floods and hailstorms in KwaZulu-Natal and Gauteng caused substantial losses to property owned by the Group's customers, resulting in an increase in the catastrophe losses reported in the period.

#### 3.2 *Impact of capital markets*

FUM and related asset-based fee income of the Group are strongly correlated to movements in capital markets. Therefore, market volatility, particularly in the equity and debt markets where the Group's total asset base has the greatest exposure, has an impact on the fees earned on multi-asset and other investment management solutions. During periods in which the capital markets are unsettled or volatile, as was observed over the 2017, 2016 and 2015 financial years, the investment portfolios may perform less satisfactorily in the short-term. The Group's revenues may exhibit similar volatility over these periods. During the 2017 financial year, as equity markets in South Africa rallied in the second half of the year, after having been relatively flat in the first half.

Further, fluctuations in capital markets have a direct impact on the investment return of the assets backing the Group's Life and Savings and Property and Casualty insurance policies as well as the extent of the investment return attributable to shareholders that can be achieved on regulatory and surplus capital. During the last 3 financial years, market levels have generally been volatile, which has impacted growth in the Group's investment return.

Specifically in Zimbabwe, the largest jurisdiction in the Rest of Africa segment, the improvement in equity markets during the 2017 and 2016 financial years resulted in significantly higher shareholder investment returns on the regulatory capital and surplus capital of the Zimbabwean entities reported in the Group. Equity markets in Zimbabwe remain volatile following recent political developments, and as such are not expected to sustain the current level of returns.

#### 3.3 *Exchange rate fluctuations*

The Group's operations outside South Africa use currencies other than the Rand as their functional currency. Therefore, the Group must translate non-Rand-denominated results of operations, and assets and liabilities when preparing its consolidated financial statements. Items in the statement of financial position are translated from their source currency into Rand using the exchange rate for the Rand at the end of each financial reporting period. Items in the consolidated income statement and consolidated statement of other comprehensive income and consolidated statement of cash flows are translated using average monthly exchange rates during the relevant period. Consequently, movements in the value of the Rand versus other currencies will affect the Group's results or assets and liabilities even if these have not changed in their source currency.

Over the past 3 financial years, the Rand has been relatively volatile, including against the functional currencies of the Group's operations outside South Africa which impacted Group's results.

### 3.4 **Competitive pressures**

The financial services markets in the jurisdictions in which the Group operates are highly competitive, particularly the South African life insurance market. The Group faces increasing pressure from the introduction of new technologies and business models, both from existing traditional financial services peers as well as new non-traditional participants that are seeking alternative sources of revenue. These non-traditional competitors include tech-enabled companies, like telecom operators and fintech start-ups. The Group has invested and expects to continue investing in the modification of existing offerings and development of new products and services to enhance its competitiveness.

In the Mass and Foundation Cluster, competitive pressures include non-traditional players such as banks, funeral parlours and telecom operators that leverage their existing digital infrastructure and platforms to roll out insurance and savings propositions; and traditional players introducing product enhancements and flexibility to meet evolving customer needs. In Personal Finance and Wealth and Investment, traditional competitors are launching enhanced propositions, some of which include digital alternatives and the integration of loyalty programmes; while new competitors are entering the market with low cost propositions as a result of less complex systems. Wealth and Investments is also impacted by investment performance relative to competitors and this has an impact on the Group's earned performance fees. For a further description of competition in the Group's markets, please see "Part V – Industry Overview".

### 3.5 **Costs associated with Managed Separation**

The Managed Separation will lead to the eventual closure of the Old Mutual plc Head Office, and as such the elimination of its operational costs which totalled R2,401 million in the 2015 financial year. The Group and Quilter plc will ultimately incur an estimated R493 million per annum of operational costs previously incurred by the Old Mutual plc Head Office which is expected to result in estimated total run-rate savings of R1,908 million. Approximately R124 million of the estimated annual operational cost will be incurred by the continuing operations of the Group, which will result in an estimated savings of R2,277 million for the Group, on a standalone basis. During the 2017 financial year, the Group's continuing operations incurred R68 million of these costs.

In addition, it is estimated that the Group will incur incremental recurring costs between R100 and R180 million per annum as a result of being a standalone entity. During the 2017 financial year, the continuing operations of the Group incurred R73 million in incremental recurring costs.

One-off costs to unlock the Old Mutual plc Head Office run-rate savings are estimated to be R2,244 million. This includes Old Mutual plc Head Office wind-down costs, which are expected to be at the upper end of the R838 million to R1,089 million range. To date, a total of R1,340 million of these one-off wind-down and business standalone costs had been incurred, of which R922 million was incurred by the Group's continuing operations. Old Mutual plc expects the majority of the remaining costs to be incurred in 2018.

Furthermore, one-off advisory costs of the Old Mutual plc Group are estimated to be at least R1,746 million during the period of implementing the Managed Separation. To date, the Old Mutual plc Group had incurred one-off advisory costs of R950 million of which approximately R650 million was incurred by the continuing operations of the Group. These costs are expected to facilitate the unlocking of the current conglomerate discount to the Group's value. Further advisory costs of R670 million are expected to be incurred by the Old Mutual plc Head Office, largely in the 2018 financial year.

In addition to the wind-down and advisory costs referred to above, one-off transaction costs will be incurred in relation to the Managed Separation. Transaction costs will be deducted from proceeds, where possible, in line with accounting policies. As at 31 December 2017, the Old Mutual plc Group had incurred transaction costs totalling R326 million, of which R274 million was deducted from proceeds. Further one-off transaction costs are estimated to be between R335 million and R420 million, excluding any additional costs associated with the intended secondary offering of Quilter.

At the 2016 preliminary results announcement Old Mutual plc estimated R2,229 million would be incurred to accelerate the resolution of pre-existing Old Mutual plc Head Office items over the duration of the Managed Separation. This estimate is subject to addressing any remaining issues. As at 31 December 2017 R1,543 million had been incurred.

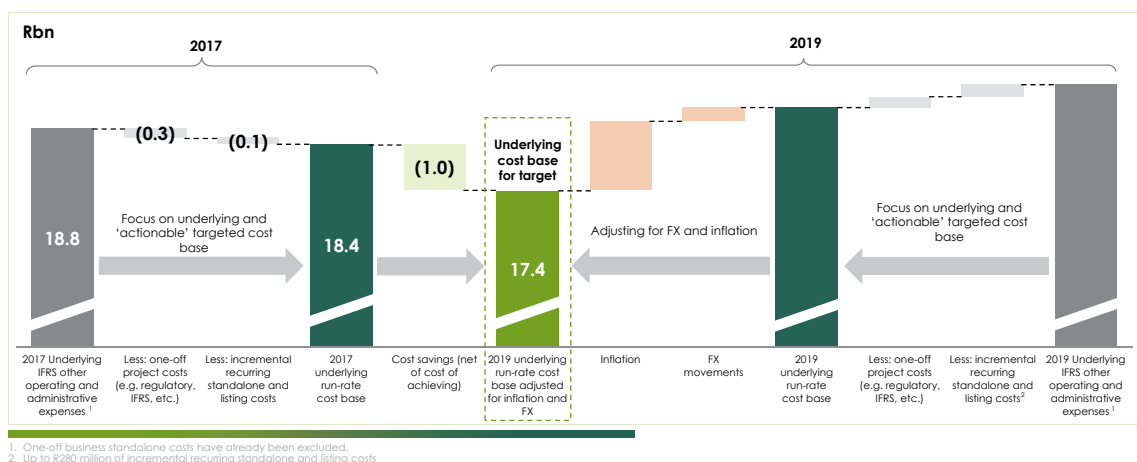
### 3.6 **IT investment programme**

The Group is continually investing in technology platforms so as to maintain the relevance of its customer propositions and to continue to meet evolving customer needs. The primary focus of recent initiatives has been on building protection solutions in the Mass and Foundation Cluster and Personal Finance segments, and these initiatives are expected to come on line during the 2019 financial year.

To date R1.9 billion has been spent on these initiatives, incremental costs recognised in the income statement have been in the region of R300 million per annum and the remainder has been capitalised.

As assets come on line in 2019, the commencement of depreciation charges together with continued IT investment to develop digital and analytics capability is expected to lead to an increase in the incremental income statement expense. The Group expects to manage these IT costs consistent with its stated growth and RoNAV objectives.

### 3.7 Cost-efficiency leadership programme



The Group will continue to focus its efforts on cost optimisation initiatives across the business. A cost base review was undertaken in the second half of the 2017 financial year to identify opportunities that enable the business to run more efficiently by leveraging its scale. The Group is targeting pre-tax run-rate cost savings of R1 billion by the end of the 2019 financial year, net of costs to achieve this. This will be delivered after the effects of foreign currency movements and inflation over the next 2 years. With effect from the 2020 financial year, the Group is targeting to manage its cost base within inflation.

The R1 billion cost-efficiency target will be measured against a 2019 target cost base of R17.4 billion. This target cost base was determined by adjusting the underlying 2017 IFRS operating and administrative expenses of R18.8 billion, for one-off 2017 project costs amounting to R0.3 billion, incremental recurring 2017 business standalone and listing costs of R0.1 billion as well as the pre-tax run-rate cost savings of R1 billion by the end of the 2019 financial year. Refer to Note D9 of the Historical Financial Information of the Old Mutual plc Group for further detail.

### 3.8 Non-economic assumption changes

Assumptions used for determining the life insurance technical provisions are reviewed on a regular basis and changes are made based on past experience, as well as management's expectations of future experience. Assumptions are intended to represent the best estimate of future experience at the calculation date, and as such form part of the ordinary course of business. These changes may lead to material increases or decreases in the life insurance technical provisions, and consequentially to the profitability of the Group. The main categories of non-economic assumptions include risk, persistency and expense assumptions and affect the retail segments in South Africa, as well as Rest of Africa.

The positive or negative movement in assumption changes will depend on whether the experience related to the particular factor has worsened or improved relative to the long-term assumption. For example, during times when macro-economic conditions and consumer spending are constrained, as was observed during the 2017 and 2016 financial years, persistency experience is generally observed to worsen. If management expects this trend to continue in the long-term, a consequential change in persistency assumptions will lead to a negative impact on the Group's result.

In addition, developments in the regulatory or macro-economic environment may lead to material changes in assumptions on an *ad-hoc* basis. For example, a new tax fund was introduced in South Africa for all risk business sold by long-term insurers from 1 January 2016. During the 2016 financial year, the Group elected to utilise a one-off option to transfer classes of existing risk business to the new tax fund. This election required a change to the assumption regarding future investment returns expected to be earned on this business, due to the tax implications, which resulted in a material one-off positive impact on the Group's results.

### 3.9 Turnaround of business engaged in Property and Casualty in South Africa and East Africa

The Group's results have been positively impacted by the improving profitability of Old Mutual Insure and reducing operating losses of UAP in East Africa following the implementation of management actions to improve business performance within both segments.

In 2013, Old Mutual Insure commenced the implementation of the turnaround plan of its personal and commercial business lines, focusing on improving claims experience and expense management to deliver an underwriting margin of between 4% and 6% in the near term. The significant improvement in the underwriting experience during the 2017 financial year reflects the progress made in restoring the quality of the Personal Lines and Commercial Lines books as the segment continues to execute on its turnaround initiatives. During the 2016 and 2017 financial years, Old Mutual Insure strengthened its executive management team, as well as the management teams in Old Mutual Specialised Insurance, iWyze and in its claims and underwriting departments. As such, Old Mutual Insure undertook remediation actions to improve the quality of its commercial and corporate portfolio and a review of the reinsurance strategy. Although the underwriting profit in the 2016 financial year was depressed



amidst a difficult claims environment, the segment has started to realise the goals of these turnaround initiatives through the improved quality of its insurance book and the insurance margin over recent years.

In East Africa, following the acquisition of UAP in 2015, the Group has been focused on improving efficiencies and containing expenses through the integration of its East African entities. Although the integration process has taken longer than anticipated, a restructuring of the combined entity has resulted in significant changes to the senior and middle management in East Africa in order to improve operational performance. Accordingly, results are improving, supported by the leveraging of capabilities from across the business, the optimisation of the combined entity's balance sheet, which included the divestment of non-core operations in the Democratic Republic of the Congo, and a focus on managing its cost base over the 2016 and 2017 financial years. This is particularly the case in Property and Casualty, where initiatives to improve the underwriting and claims processes, leveraging expertise from Old Mutual Insure, have begun delivering positive results.

### 3.10 **Taxation**

The Group is charged income tax at different rates depending on the jurisdiction of its earnings, with statutory tax rates ranging from 0% to 35% in the jurisdictions in which the Group operates. In addition, the Group is subject to tax on policyholder returns, which is recovered from the policyholders. The recovery from policyholders is included in the Group's profit before tax, whilst the corresponding tax is included in the Group's tax charge. This increases the Group's effective tax rate.

To the extent it records taxable profits in higher tax jurisdictions and losses in lower-tax jurisdictions, the Group's net income position may be negatively affected. Alternatively, its position may be improved by recording higher taxable profits in lower-tax jurisdictions. Moreover, a change in tax regime in any of the Group's principal geographies could materially affect its financial condition and results of operations.

### 3.11 **Regulatory changes**

The Group's results of operations have been, and will continue to be, affected by regulatory developments that require the Group to change its product and service offerings and its distribution and operating models in the jurisdictions in which it operates. This impacts the Group's profits by potentially reducing revenues and/or necessitating the incurrence of additional costs for implementation, compliance and monitoring. In the 2017 and 2016 financial years, the Banking and Lending business, which include Old Mutual Finance in Mass and Foundation Cluster, Faulu in Kenya and CABS in Zimbabwe, were impacted by the introduction of interest rate caps. These changes negatively impacted revenue growth, resulting in reduced lending and/or lower average loan yields and consequently lower profits. The reduction in interest rates had a one-off positive impact on profits during the 2016 financial year due to a reduction in the loss recovery discount rate associated with impairment provisioning.

Over the last 3 years, developments in the regulatory environment have also necessitated investment in the Group's infrastructure. This includes, amongst others, developments in product administration systems to comply with FATCA and the Organisation for Economic Co-operation and Development's Common Reporting Standard across all of the Group's jurisdictions, as well as the implementation of the FSB's Directive 153.A.i(LT) on multiple causal events in savings products sold under the life licence in South Africa.

Going forward, the Group expects that its operations will continue to be impacted by changes to the regulatory landscape that require significant financial commitments, including the retail distribution review, Treating Customers Fairly, Retirement Fund Reform, anti-money laundering regulation and the Twin Peaks regulatory structure, incorporating the new Insurance Act. Please see "Part VII – Regulatory Considerations" for further detail on the regulations applicable to the Group.

## 4. **Key Factors Affecting Comparability**

### 4.1 **Managed Separation**

In March 2016, the Old Mutual plc Board announced that the long-term interests of Old Mutual plc Shareholders and other stakeholders would be best served by separating the 4 businesses then owned by the Old Mutual plc Group from each other so that they could operate as fully independent businesses. In June 2016, Old Mutual plc announced that it intended to execute the Managed Separation by means of one or more transactions, which would deliver two separate entities, listed on both the LSE and the JSE, to Old Mutual plc Shareholders. The process of reducing Old Mutual plc Group's stake in OMAM completed in November 2017, following a number of market sell-downs and the sale of a 24.95% shareholding to HNA Capital. Old Mutual plc sold the OMAM business for net proceeds of R11,439 million, and this resulted in an accounting profit of R235 million being recognised in the 2017 financial year. Profits related to this business are no longer recognised in the Group's results from November 2017. In addition, and as part of the Managed Separation, in January 2017 Old Mutual plc disposed of Old Mutual Wealth Italy, part of Quilter plc for cash consideration of R3,601 million, net of costs, which resulted in a profit on disposal of R163 million. In the 2017 financial year, the operating results of the international branches of OMLACSA and certain supporting subsidiaries were reported as part of the Emerging Markets after previously being reported as part of Quilter plc. This adjustment was made in preparation for the separation of these businesses and now aligns the reporting of the results with the ownership structure. In October 2017, Old Mutual plc completed the sale of its 26% share in Kotak Mahindra Old Mutual Life Insurance, its joint venture in India, for net proceeds of R2,366 million, which resulted in a profit on disposal

of R1,603 million. OMSA further entered into the AIVA SPA and the OMLAH SPA in March 2018 with the Lily Purchaser to dispose of the businesses operated by OMSA in Latin America (ie Colombia and Mexico). For further information on this transaction, refer to Annexe 15 to this Pre-listing Statement.

#### **4.2 UAP acquisition**

During the 2015 financial year, the Group acquired a 60.7% interest in UAP for consideration of R2,899 million (which interest is expected to increase to 66.7% upon exercise of the put option by the minority anchor shareholders in UAP as more fully set out in "Strategic Alliances" in Annexe 11 to this Pre-listing Statement). An initial stake of 23.3% was acquired on 9 January 2015, while the remaining 37.4% stake was acquired on 24 June 2015. Accordingly, UAP was consolidated for the full 2017 and 2016 financial years in comparison to 6 months of the 2015 financial year.

#### **4.3 Impairments**

During the 2017 and 2016 financial years, impairments of goodwill of R1,462 million and R2,190 million were recognised, of which R1,186 million and R1,273 million, respectively, related to the Rest of Africa business. The impairment in the 2016 financial year was a result of a constrained macro-economic environment in Zimbabwe and the introduction of interest rate caps on lending in Kenya, negatively impacting performance as well as a slower than anticipated integration process of UAP, and a R917 million impairment charge resulting from the disposal of Old Mutual Wealth Italy. The main drivers of impairment in the 2017 financial year were the simplification of the Rest of Africa portfolio as well as the application of a routine annual goodwill valuation at the UAP entity level in East Africa, previously performed at Old Mutual Southern and East Africa level, which included more mature businesses in Namibia and Zimbabwe. The continued focus on identified strategic priorities in the East African business has resulted in an improvement in the performance, albeit over a longer timeframe than anticipated at acquisition. Please see "Turnaround of business engaged in Property and Casualty in South Africa and East Africa" above for more information. A goodwill impairment charge of R276 million related to AIVA was also recognised in the 2017 financial year as a result of the difficult business environment and the exit by Quilter plc from the Single Strategy business.

#### **4.4 Change in Accounting Estimates**

During the 2017 financial year, management performed a credit quality assessment as part of ongoing enhancement of provisioning models. Taking into account more recent payment behaviour, R1.2 billion of long-term outstanding loans were reclassified as either performing or defaulted loans, in line with the SARB directive 7/2015. The reclassification to better performing loan categories resulted in a release in the provision and an associated positive profit impact. Concurrently, the remainder of long-term outstanding loans of R4.6 billion were written off and the corresponding impairment provisions released. The net effect of these transactions resulted in a net positive impact of R122 million to IFRS profit for the 2017 financial year. As a result, loans and advances, on a gross basis, were lower in the 2017 financial year compared to the 2016 and 2015 financial years.

#### **4.5 Current Trading and Prospects**

The Group's continuing operations have started the 2018 year on a positive note. Results from operations have operated in line with expectations since the end of the 2017 financial year. Zimbabwean equity markets remain volatile, having fallen by more than 10% in the first two months of the 2018 financial year. Furthermore, the recurring and one-off cost estimates in preparation for the Admissions remain unchanged from the Group's previous guidance, with incremental recurring standalone and listing costs reaching their run-rate by the end of 2018, up to R280 million.

On 13 March 2018 Old Mutual plc announced that The Travelers Companies, Inc. and St. Paul Fire and Marine Insurance Company ("Travelers") had lodged a claim in the United States District Court for the Southern District of New York in relation to pre-existing plc Head Office legacy items relating to previously disposed of US assets. The Group continues to believe that this claim was without merit. Old Mutual plc further announced on 9 April 2018 that Travelers had withdrawn all of the remedies they were claiming and that the Company, which will become the new holding company of Old Mutual plc, had agreed, inter alia, to provide an intragroup guarantee to Old Mutual plc in the circumstances where Old Mutual plc is unable to satisfy the obligations in respect of the legacy items which were the subject of the claim, which obligations Old Mutual plc believes are highly remote. For further information on the intragroup guarantee, please see "Annexe 15 – Material Contracts".

The Group expects to publish a supplementary prospectus, containing a trading update for the first quarter of 2018, on 16 May 2018.

Overall the Board continues to remain confident in the Group's prospects. The Board believes that the outlook for the Group is attractive due to the strong growth prospects of the key focus regions of the Group.

#### **4.6 Residual plc**

The crystallisation of NAV of the Old Mutual plc Head Office into cash allows Old Mutual plc to maintain appropriate buffers to manage risks and obligations during the period as a result of the execution of the Managed Separation and the wind-down of the Old Mutual plc Head Office. However, there are still actual and potential demands on cash and liquidity during this period. Cash utilisation will continue not only as a result of the current Old Mutual plc Group structure, but also to manage the resolution of, and meet the remaining Managed Separation and business standalone costs, across the Old Mutual plc Group.

As at 31 December 2017, the Old Mutual plc holding company debt obligations comprised two fixed interest debt instruments. The first is a Tier 2 debt maturing in June 2021 paying a coupon of 8% and the second is a Tier 2 debt maturing in November 2025 paying a coupon of 7.875%. The combined coupon on both instruments is circa R536 million per annum. The Group will continue to evaluate the merits of repurchasing and redeeming outstanding Old Mutual plc debt, taking account of the Group's risk appetite, regulatory constraints and other stakeholders.

Old Mutual plc continues to incur corporate costs in 2018 until the existing plc Head Office closes. Corporate costs before recharges are estimated to be approximately R838 million in 2018. Significantly reduced recurring plc Head Office corporate costs are anticipated beyond 2018, on the basis that the majority of plc Head Office operations are expected to have ceased by December 2018.

The second interim Old Mutual plc dividend of 3.57 pence per Old Mutual plc share will be paid on 30 April 2018. The cost of this dividend will be R2,932 million, of which approximately R2,011 million will be funded from dividends received from Emerging Markets and Nedbank during 2018, net of Old Mutual plc hedging activities.

The obligations of OM Bermuda are running off, with the majority of the policies underlying the reinsurance obligations due to mature in the first half of 2018. The business will wind-up activities during 2018 with the remittance of surplus to Old Mutual plc, subject to the relevant regulatory approvals.

## 5. Key Income Statement Items

Presented below is a discussion of the principal components of and accounting judgements that comprise each of the key line items discussed in the consolidated income statement for the Old Mutual plc Group.

### 5.1 Revenue

Revenue consists of gross insurance premium revenue, investment return (non-banking), banking interest and similar income, banking trading, investment and similar income, fee and commission income, and income from service activities and other income.

The key revenue line items are further discussed below:

- Gross insurance premium revenue comprises single and recurring premiums in the Life and Savings business and recurring premiums in Property and Casualty and is primarily driven by the mix of products sold in the current period and the persistency of products sold in previous years. Premiums are also impacted by a variety of factors, including the macro-economic environment which drives general demand for insurance products, insurance and market risk, the level of interest rates, performance of capital markets, and legal and regulatory developments. Gross insurance premium revenue is shown before deduction of commission and before any taxes or duties levied with premiums. Net earned premiums are calculated by deducting outward reinsurance premiums from gross insurance premium revenue;
- The material items that comprise investment return (non-banking) are the total value of gains and losses arising from financial assets and investment properties held by non-banking business. This includes interest and similar income, dividends received, gains and losses on the measurement of financial assets, income from rental property; and
- Fee and commission income, and income from service activities are generated from all lines of business. This includes advice and commission income on life insurance and savings products, investment and asset management products, property and casualty insurance products and banking and lending products as well as transactional and performance fees on these products. Investment management fees (both discretionary and non-discretionary investment management for life wrapped and non-wrapped investments), advice fees and fees for other services such as cash management, asset consulting and fiduciary service are also included.

### 5.2 Expenses

Expenses consists of expenses relating to claims and benefits (including change in insurance contract liabilities), change in investment contract liabilities, credit impairment charges, finance costs, banking interest payable and similar expenses, fee and commission expenses, and other acquisition costs, changes in third party interest in consolidated funds and other operating and administrative expenses.

The key expense line items are further discussed below:

- For Life and Savings, claims and benefits (including change in insurance contract liabilities) comprise the claims and benefits paid at maturity, death and surrender of policies as well as payments made on annuity policies. For Property and Casualty, net claims and benefits paid are comprised of claim payments made during the period net of any recovered amounts. Also included in this line item are changes in insurance contract liabilities which comprise changes to provisions due to new business and lapses, expected changes in existing business, changes to operating and economic assumptions and variances between actual and expected claims;
- Change in investment contract liabilities represents the change in the value of investment contract liabilities in the current period. The gains and losses from the measurement of the investment contract liability are principally offset by the gains and losses on the assets backing the liabilities recognised as investment return (non-banking) revenue; and

- Other operating and administrative expenses comprise primarily expenses relating to salaries for employees, operating expenses, depreciation, amortisation of intangible assets, impairments of goodwill and other intangible assets, impairments of receivable assets and non-recurring expenses.

## 6. Income Statement

The following table presents an analysis of the consolidated income statement of the Old Mutual plc Group for the periods indicated. Unless otherwise indicated, the financial information has been derived from the Historical Financial Information of the Old Mutual plc Group included as Annexe 1 to this Pre-listing Statement:

### Selected consolidated income statement of the Old Mutual plc Group

	Year ended 31 December		
	2017	2016	2015
	(R million)		
<b>Continuing operations</b>			
<b>Revenue</b>			
Net earned premiums	65,743	68,006	62,102
Investment return (non-banking)	93,921	37,455	48,546
Banking interest and similar income	4,394	4,569	4,582
Banking trading, investment and similar income	97	280	102
Fee and commission income and income from service activities	11,547	11,265	10,218
Other income	1,884	1,230	1,182
<b>Total revenue</b>	<b>177,586</b>	<b>122,805</b>	<b>126,732</b>
<b>Expenses</b>			
Net claims and benefit incurred	(86,349)	(64,995)	(60,461)
Change in investment contract liabilities	(30,359)	(10,868)	(22,281)
Credit impairment charges	(715)	(873)	(1,214)
Finance costs	(4,012)	(2,555)	(972)
Banking interest payable and similar expenses	(1,278)	(1,795)	(1,800)
Fee and commission expenses, and other acquisition costs	(8,992)	(8,467)	(7,710)
Change in third party interest in consolidated funds	(11,405)	(2,336)	(3,065)
Other operating and administrative expenses	(26,993)	(25,286)	(23,141)
<b>Total expenses</b>	<b>(170,103)</b>	<b>(117,175)</b>	<b>(120,644)</b>
Share of associated undertakings' and joint ventures' profit after tax	160	191	284
Profit on disposal of subsidiaries, associated undertakings and strategic investments	1,987	263	273
<b>Profit before tax</b>	<b>9,630</b>	<b>6,084</b>	<b>6,645</b>
Income tax expense	(4,118)	(2,838)	(2,907)
<b>Profit from continuing operations after tax</b>	<b>5,512</b>	<b>3,246</b>	<b>3,738</b>
Profit from discontinued operations after tax	14,852	13,570	13,405
<b>Profit after tax for the financial year</b>	<b>20,364</b>	<b>16,816</b>	<b>17,143</b>
<b>Attributable to Equity holders of the parent</b>	<b>14,372</b>	<b>11,351</b>	<b>11,094</b>
<b>Non-controlling interests</b>			
Ordinary shares	5,402	5,026	5,678
Preferred securities	590	439	371
<b>Profit after tax for the financial year</b>	<b>20,364</b>	<b>16,816</b>	<b>17,143</b>

### 6.1 IFRS analysis of the 2017 financial year compared to the 2016 financial year

#### Net earned premiums

Net earned premiums for the 2017 financial year was R65,743 million, a decrease of R2,263 million, or 3%, from R68,006 million for the 2016 financial year. This was due to lower flows in the Old Mutual Corporate segment and an increase in outward reinsurance premiums in Old Mutual Insure. This was offset by higher business volumes in the Mass and Foundation Cluster.

#### *Investment return*

Investment return (non-banking) for the 2017 financial year was R93,921 million, an increase of R56,466 million, or 151%, from R37,455 million for the 2016 financial year. This increase was due primarily to higher market returns on listed instruments experienced across most of the Group's businesses, especially South Africa and Zimbabwe, resulting in fair value gains recognised in profit and loss.

#### *Fee and commission income, and income from service activities*

Fee and commission income, and income from service activities for the 2017 financial year was R11,547 million, an increase of R282 million, or 3%, from R11,265 million for the 2016 financial year. This increase was due to growth in base fee income on higher assets under management.

#### *Net claims and benefits incurred (including change in insurance contract provisions)*

Net claims and benefits incurred expenses for the 2017 financial year was R86,349 million, an increase of R21,354 million, or 33%, from R64,995 million for the 2016 financial year. This increase was due primarily to higher investment returns in South Africa and Zimbabwe contributing to a higher change in insurance contract provision. There were also higher benefit payments in the Old Mutual Corporate segment compared to the prior year.

#### *Change in investment contract liabilities*

Change in investment contract liabilities for the 2017 financial year was R30,359 million, an increase of R19,491 million, or 179%, from R10,868 million for the 2016 financial year. The primary driver of this increase was the higher market returns experienced in South Africa and Rest of Africa which resulted in the increase of asset values and the associated policyholder liabilities backing these assets.

#### *Other operating and administrative expenses*

Other operating and administrative expenses for the 2017 financial year was R26,993 million, an increase of R1,707 million, or 7%, from R25,286 million for the 2016 financial year. This increase was due primarily to higher operating costs in the Mass and Foundation Cluster due to expansion of the branch footprint and the impact of higher remuneration cost in Old Mutual Insure.

#### *Income tax expense*

Income tax expense for the 2017 financial year was R4,118 million, an increase of R1,280 million, or 45%, from R2,838 million for the 2016 financial year. The IFRS effective tax rate decreased to 43% in the 2017 financial year from 47% in the 2016 financial year. Stripping out the effect of policyholder tax, which adds volatility and is market dependent, the primary drivers for the decrease was the reduction in the unrecognised losses in Residual plc in the 2017 financial year and a higher base in the 2016 financial year due to a one-off increase in capital gains tax rates in South Africa. This was partially offset by the impact of non-tax deductible impairments of goodwill together with fluctuations caused by changes in the type and location of profits earned, which are taxed at different tax rates.

#### *Profit from continuing operations after tax*

Profit from continuing operations after tax for the 2017 financial year was R5,512 million, an increase of R2,266 million, or 70%, from R3,246 million for the 2016 financial year. This increase was due primarily to the factors above.

Residual plc incurred a loss from continuing operations attributable to equity holders of R3,704 million, an increase of R1,080 million, or 41%, from a loss from continuing operations attributable to equity holders of R2,624 million in the 2016 financial year. This was driven by increased Managed Separation costs offset by an increase in operating profits of Bermuda in line with the run off profile of this business.

#### *Profit from discontinued operations after tax*

Profit from discontinued operations after tax for the 2017 financial year was R14,852 million, an increase of R1,282 million, or 9%, from R13,570 million for the 2016 financial year.

Nedbank's Headline Earnings for the 2017 financial year was R11,787 million, an increase of R322 million, or 3% from R11,465 million for the 2016 financial year. This was a result of reduced impairments and tight cost management, which was offset by slower than expected revenue growth. Nedbank's profit from discontinued operations attributable to equity holders for the 2017 financial year was R6,411 million, an increase of R794 million, or 14%, from R5,617 million for the 2016 financial year.

Profit from discontinued operations attributable to equity holders relating to OMAM was R218 million for the 2017 financial year, a decrease of R1,206 million, or 85%, from R1,424 million in the 2016 financial year, as a result of the completion of the sell down of OMAM. Consequently, OMAM was consolidated in the Group's results for only four months of the 2017 financial year compared to a full year in the 2016 financial year.

Quilter plc's profit from discontinued operations attributable to equity holders for the 2017 financial year was R1,451 million, an increase of R1,494 million from a loss of R43 million for the 2016 financial year. The increase is a result of higher performance in the Single Strategy business and due to a lower base in the 2016 financial year which included a goodwill impairment of R917 million as a result of the sale of Old Mutual Wealth Italy.

## 6.2 IFRS analysis of the 2016 financial year compared to the 2015 financial year

### *Net earned premiums*

Net earned premiums for the 2016 financial year was R68,006 million, an increase of R5,904 million, or 10%, from R62,102 million for the 2015 financial year. This was driven primarily by strong premium growth in smoothed bonus products which was partly offset by an increase in outward reinsurance premiums in Life and Savings. Net earned premiums in Property and Casualty increased in the 2016 financial year mainly due to the consolidation of UAP in the 2016 financial year, with only 6 months included in the consolidated results of the 2015 financial year.

### *Investment return*

Investment return for the 2016 financial year was R37,455 million, a decrease of R11,091 million, or 23%, from R48,546 million for the 2015 financial year.

Lower market returns in most of the Group's businesses resulted in fair value losses in the 2016 financial year. The primary driver of this decrease was the lower market returns experienced in the South African segments. This was partially offset by higher returns in Rest of Africa resulting primarily from improved performance of the Zimbabwean equity markets. The fair value losses in the 2016 financial year were further offset by increased dividend income.

### *Fee and commission income, and income from service activities*

Fee and commission income, and income from service activities for the 2016 financial year was R11,265 million, an increase of R1,047 million, or 10%, from R10,218 million for the 2015 financial year. This was mainly due to an increase in fee and commission income, primarily attributed to Life and Savings in South Africa, as well as fee and commission growth in the Rest of Africa segment.

### *Net claims and benefits incurred (including change in insurance contract provisions)*

Net claims and benefits incurred for the 2016 financial year was R64,995 million, an increase of R4,534 million, or 7%, from R60,461 million for the 2015 financial year.

Net claims and benefits increased due to the consolidation of UAP in the 2016 financial year, with only 6 months included in the consolidated results of the 2015 financial year. Increased claims paid in Old Mutual Insure, primarily due to challenging trading conditions, resulted in a higher claims ratio that was partially offset by increased reinsurance recoveries in line with the increased claims.

There was an increase in insurance contract provisions, being claims and benefits due but not paid, and the associated expense in Rest of Africa. The key driver was improved market conditions in Zimbabwe, which resulted in an increase in policyholder assets and associated liabilities related to smoothed bonus products, which are classified as insurance contract provisions.

### *Change in investment contract liabilities*

Change in investment contract liabilities for the 2016 financial year was R10,868 million, a decrease of R11,413 million, or 51%, from R22,281 million for the 2015 financial year. The primary driver of this decrease was the lower market returns experienced in South Africa in the 2016 financial year which resulted in a reduction in asset values and the associated policyholder liabilities backing these assets.

### *Other operating and administrative expenses*

Other operating and administrative expenses for the 2016 financial year was R25,286 million, an increase of R2,145 million, or 9%, from R23,141 million for the 2015 financial year. This increase in the 2016 financial year was due to an impairment of goodwill in UAP, inflationary growth in staff and other operating costs and the consolidation of UAP in the 2016 financial year, with only 6 months included in the consolidated results of the 2015 financial year.

### *Income tax expense*

The income tax expense for the 2016 financial year was R2,838 million, a decrease of R69 million, or 2.4%, from R2,907 million for the 2015 financial year. The effective tax rate increased from 44% in 2015 to 47% in 2016, which was primarily driven by higher losses in Residual plc, a non-deductible goodwill impairment in UAP and an increase in capital gains tax rates in South Africa. This was partially offset by the positive tax impacts of changes in the profit mix between countries having different tax rates. The Group's effective tax rate was higher than the South African corporate tax rate due to the inclusion of policyholder tax and the impact of unrecognised Residual plc losses on which tax relief has not been recognised.

### *Profit from continuing operations after tax*

Profit from continuing operations after tax for the 2016 financial year was R3,246 million, a decrease of R492 million, or 13.2%, from R3,738 million for the 2015 financial year. This decrease was due primarily to the factors described above.

For the 2016 financial year, Residual plc incurred a loss of R2,624 million, a decrease of R331 million, or 11%, from a loss of R2,955 million in the 2015 financial year, driven by an improvement in the operating losses in Bermuda and fair value gains, partly offset by increased head office costs.

#### *Profit from discontinued operations after tax*

Profit from discontinued operations after tax for the 2016 financial year was R13,570 million, an increase of R165 million, or 1.2%, from R13,405 million for the 2015 financial year.

Nedbank's Headline Earnings for the 2016 financial year was R11,465 million, an increase of R634 million, or 6% from R10,831 million for the 2015 financial year. Nedbank delivered a robust performance in the 2016 financial year, with growth from managed operations offset by an equity-accounted loss from Ecobank. Excluding Ecobank, Headline Earnings from Nedbank's managed operations grew 16.2%. Nedbank's profit from discontinued operations attributable to equity holders for the 2016 financial year was R5,617 million, a decrease of R404 million, or 7%, from R6,021 million for the 2015 financial year, primarily due to the impact of a R676 million equity-accounted loss from Ecobank, offset by net interest income and non-interest revenue growth in Nedbank's managed operations.

Profit from discontinued operations attributable to equity holders relating to OMAM was R1,424 million for the 2016 financial year, an increase of R152 million, or 12%, from R1,272 million in the 2015 financial year driven by an increase in management fees due to higher average basis points earned on stable average FUM, income that was received from earn outs on affiliates disposed in prior periods, partly offset by the impact of the exceptional performance fees reported in the 2015 financial year.

Quilter plc's loss from discontinued operations after tax for the 2016 financial year was R43 million, an improvement of R69 million, or 62%, from a loss of R112 million for the 2015 financial year due to the loss on disposal of the Swiss business which contributed to a lower base in the 2015 financial year.

## **7. Reconciliation from IFRS Profit After Tax to Adjusted Headline Earnings**

This section provides a reconciliation from IFRS profit, which is discussed in the commentary above, to Adjusted Headline Earnings, the Group's primary profit measure.

The following table sets forth a reconciliation of IFRS profit after tax attributable to equity holders of the parent to Adjusted Headline Earnings of the Group for the 2017, 2016 and 2015 financial years:

	<b>Year ended/At 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(R million, except as otherwise indicated)</i>		
<b>Profit/(loss) after tax for the financial year attributable to equity holders of the parent</b>	<b>14,372</b>	<b>11,351</b>	<b>11,094</b>
Dividends on preferred securities	(253)	(278)	(474)
<b>Profit/(loss) after tax for the financial year attributable to ordinary equity holders of the parent</b>	<b>14,119</b>	<b>11,073</b>	<b>10,620</b>
Impairment of goodwill and other intangibles <sup>(1)</sup>	1,106	1,783	267
Impairment of investments in associates	–	557	–
Profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments	(2,081)	(399)	1,639
<b>Headline earnings</b>	<b>13,144</b>	<b>13,014</b>	<b>12,526</b>
Investment return for Group equity and debt instruments in life funds <sup>(2)</sup>	1,355	864	610
Impact of restructuring <sup>(3)</sup>	54	(124)	71
Discontinued operations	(8,008)	(8,332)	(10,348)
Income from associates <sup>(4)</sup>	2,346	2,282	2,155
Residual plc <sup>(5)</sup>	4,518	3,061	4,800
<b>Adjusted Headline Earnings</b>	<b>13,409</b>	<b>10,765</b>	<b>9,814</b>

#### **Notes:**

1. Mainly comprises goodwill impairment but also includes amounts related to impairment of fixed assets and profit on disposal of fixed assets and intangible assets.
2. This adjustment ensures that Adjusted Headline Earnings includes investment returns on policyholder investments in Group equity and debt instruments held by the Group's life funds. These returns are eliminated in the consolidated income statement of Old Mutual plc, which is not consistent with how the related policyholder liability is measured.
3. Represents the elimination of material non-recurring expenses, specifically related to business restructuring costs such as Managed Separation costs, the costs or income associated with completed acquisitions and the release of acquisition date provisions. The 2016 financial year includes the release of an acquisition reserve in the Mass and Foundation Cluster.
4. Following the Nedbank Unbundling, the Group will retain a proposed 19.9% shareholding in the issued share capital of Nedbank in its shareholder funds. Consistent with this income presented reflects the proportionate income that would have been earned from the 19.9% investment in Nedbank in its shareholder funds, with effect from 1 January 2015.
5. Residual plc consists of the Old Mutual plc's net assets, remaining Head Office functions and the operations of Bermuda.

Results from Operations is the primary measure of the business performance of the Group's individual segments and quantifies the operational segments' contribution to the Group's Adjusted Headline Earnings and is discussed in "– Segmental Key Performance Indicators" below.

Adjusted Headline Earnings is adjusted for items not reflective of the long-term economic performance of the Group and excludes discontinued operations and Residual plc, which are not considered part of the Group's principal operations.

The following table sets forth the components of Adjusted Headline Earnings, including Results from Operations for the 2017, 2016 and 2015 financial years.

	Year ended/At 31 December		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
Mass and Foundation Cluster	3,052	2,843	2,624
Personal Finance	3,150	3,421	3,073
Wealth and Investments	1,490	1,461	1,770
Old Mutual Corporate	1,576	1,403	1,522
Old Mutual Insure	524	255	497
Rest of Africa	1,081	861	771
LatAm and Asia	609	611	524
Central expenses <sup>(1)</sup>	(506)	(660)	(1,046)
<b>Results from Operations<sup>(2)</sup></b>	<b>10,976</b>	<b>10,195</b>	<b>9,735</b>
Shareholder investment return <sup>(3)</sup>	4,920	2,205	1,690
Finance cost <sup>(4)</sup>	(622)	(529)	(296)
Income from associates <sup>(5)</sup>	2,346	2,282	2,155
<b>Adjusted Headline Earnings before tax</b>	<b>17,620</b>	<b>14,153</b>	<b>13,284</b>
Shareholder tax <sup>(6)</sup>	(3,723)	(3,148)	(3,122)
Non-controlling interest	(488)	(240)	(348)
<b>Adjusted Headline Earnings</b>	<b>13,409</b>	<b>10,765</b>	<b>9,814</b>

**Notes:**

1. Central expenses represent the cost to support the operating activities of the Group. It also includes costs associated with the implementation of accounting changes, new regulatory requirements and infrastructure investment, other than costs related to the Managed Separation. The costs of the central items are managed as part of other Group activities.
2. Results from Operations for each segment are adjusted for items that were previously excluded from AOP. Adjustments relate to the amortisation of acquired intangible, impairments of intangible and fixed assets as well as profit on disposals of fixed assets. Please see "– Segmental Key Performance Indicators" below for detail of these adjustments per segment.
3. Represents actual investment return on shareholder assets, net of costs to generate it.
4. Represents finance costs on long-term debt, excluding Residual plc, that supports the capital structure of the Group, including fair value gains and losses on hedged fixed rate bonds of R12 million and R54 million in the 2017 and 2016 financial years, respectively. In the 2017 and 2016 financial years, it excludes finance costs relating to banking and operational debt to the amount of R110 million and R77 million respectively.
5. Following the Nedbank Unbundling, the Group will retain a proposed 19.9% shareholding in the issued share capital of Nedbank in its shareholder funds. Consistent with this income presented reflects the proportionate headline earnings that would have been earned from the investment in Nedbank, with effect from 1 January 2015. In accordance with IFRS, the Nedbank shareholding of 55% in shareholder funds is classified as held for distribution and presented as part of the discontinued operations in the Historical Financial Information of the Old Mutual plc Group.
6. Includes tax effects of adjusting items to derive Adjusted Headline Earnings. A net tax income of R25 million and a net tax expense of R20 million in the 2017 and 2016 financial years, respectively, with no tax impact to the 2015 financial year.

## 8. Segmental Key Performance Indicators

The performance of the Group's segments for the 2017, 2016 and 2015 financial years is measured using the Key Performance Indicators in the tables below. These measures are not measures defined by IFRS and will be used by the Group to provide greater insight into the financial performance, financial position and cash flows of the Group and the way it is managed. Most of the Key Performance Indicators are industry benchmarks; however, they are not uniformly defined by all companies and therefore they may not be directly comparable with similarly titled measures and disclosures by other companies.



## 8.1 **Mass and Foundation Cluster**

The table below sets out the Key Performance Indicators that are indicative of performance of Mass and Foundation Cluster as at the dates and for the periods indicated:

	<b>Year ended/At 31 December<sup>(1)</sup></b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(R million, except as otherwise indicated)</i>		
Results from Operations <sup>(2)</sup>	3,052	2,843	2,624
Gross flows	12,022	10,848	9,822
Life APE sales	4,091	3,956	3,636
NCCF	6,084	5,599	5,359
FUM	12,388	11,388	11,644
VNB	1,236	1,055	1,204
VNB margin	10.6%	9.4%	10.3%
Loans and advances	12,070	15,106	13,750
Net lending margin	16.2%	16.6%	15.9%

### **Notes:**

1. Reconciliations of the non-IFRS measures to their nearest IFRS measures are provided in "Part X – Selected Financial Information – Reconciliation of non-IFRS measures" and Annexe 1D: Selected Notes to the Old Mutual Plc Group Historical Financial Information Solely for JSE Purposes.
2. In the 2017, 2016 financial year and 2015 financial year, Results from Operations includes amounts related to the amortisation of acquired intangible assets of R113 million, R215 million and R369 million, respectively.

### *2017 financial year compared to 2016 financial year*

The Mass and Foundation Cluster's Results from Operations for the 2017 financial year was R3,052 million, an increase of R209 million, or 7%, from R2,843 million for the 2016 financial year. This increase was due primarily to higher new business life profits, better cost management and a more favourable product mix weighted towards risk business. During the 2017 financial year, management performed a credit quality assessment as part of ongoing enhancement of provisioning models, resulting in a net positive impact of R122 million.

The Mass and Foundation Cluster's gross flows for the 2017 financial year was R12,022 million, an increase of R1,174 million, or 11%, from R10,848 million for the 2016 financial year. Growth in the branch footprint following the opening of 31 new branches and improved persistency in the savings book contributed to this increase. This resulted in NCCF of R6,084 million, an increase of R485 million or 9%, from R5,599 million for 2016 financial year.

The Mass and Foundation Cluster's Life APE sales for the 2017 financial year was R4,091 million, an increase of R135 million, or 3%, from R3,956 million for the 2016 financial year. This increase was due primarily to growth in risk sales which can be attributed to an increase in the number of advisers during the second half of the year, better productivity, and an increased contribution from the growing branch network. The branch network contributes 29% of the segment's Life APE sales.

The Mass and Foundation Cluster's VNB for the 2017 financial year was R1,236 million, an increase of R181 million, or 17%, from R1,055 million for the 2016 financial year. This increase was due primarily to pricing reviews on risk business. Consequently, the VNB margin for the 2017 financial year was 10.6%, an increase of 1.2% from 9.4% for the 2016 financial year.

The Mass and Foundation Cluster's loans and advances for the 2017 financial year was R12,070 million, a decrease of R3,036 million, or 20%, from R15,106 million for the 2016 financial year. This decrease was due primarily to the write-off of net long-outstanding loans deemed to have low recoverability, which were identified as part of credit quality assessment process undertaken during the year.

The Mass and Foundation Cluster's net lending margin for the 2017 financial year was 16.2%, a decrease of 0.4% from 16.6% for the 2016 financial year. This decrease was due primarily to management's review of the credit quality assessment used for calculating provisions within Old Mutual Finance which now takes into account recent payment behaviour.

### *2016 financial year compared to the 2015 financial year*

The Mass and Foundation Cluster's Results from Operations for the 2016 financial year was R2,843 million, an increase of R219 million, or 8%, from R2,624 million for the 2015 financial year. This was due to the one-off positive impact of transferring classes of existing risk business to the new risk tax fund, effective cost management and the release of Old Mutual Finance provisions as a result of a reduction in the loss recovery discount rate following the implementation of interest rate caps by the Department of Trade and Industry. The growth was partially offset by a modest deterioration in retention experience mainly on savings business as customers came under financial strain in a challenging local economic environment leading to increased early surrenders in order to gain access to funds, and higher new business strain mainly due to the impact of the new protection tax class for risk business.

The Mass and Foundation Cluster's gross flows for the 2016 financial year was R10,848 million, an increase of R1,026 million, or 10%, from R9,822 million for the 2015 financial year. This was mainly due to improved adviser productivity, a 13% increase in the size of the branch footprint during the 2016 financial year following the opening of 33 new branches, growth in the insurance book despite a challenging environment, higher average risk premiums, strong collections in the in-force insurance book experience and increased credit life sales. This resulted in the Mass and Foundation Cluster's NCCF of R5,599 million for the 2016 financial year, an increase of R240 million, or 4%, from R5,359 million for the 2015 financial year.

The Mass and Foundation Cluster's Life APE sales for the 2016 financial year was R3,956 million, an increase of R320 million, or 9%, from R3,636 million for the 2015 financial year. This was mainly due to improved adviser productivity, higher average risk premiums and increased credit life sales. The branch network contributes 28% of the segment's Life APE sales.

The Mass and Foundation Cluster's VNB for the 2016 financial year was R1,055 million, a decrease of R149 million, or 12%, from R1,204 million for the 2015 financial year. This decrease was due primarily to the strengthening of the surrender rate assumptions and methodology changes on the saving book, as well as the phase in of risk book premium increases over the 2016 financial year. The decrease was partially offset by improved distribution efficiencies and sales volumes. Consequently, the VNB margin for the 2016 financial year was 9.4%, a decrease of 0.9% from 10.3% for the 2015 financial year.

The Mass and Foundation Cluster's loans and advances for the 2016 financial year was R15,106 million, an increase of R1,356 million, or 10%, from R13,750 million for the 2015 financial year. This increase was mainly a result of the growth in the personal loans book during the 2016 financial year following the launch of a new product in response to the DTI interest rate caps. The net lending margin for the 2016 financial year was 16.6%, an increase of 0.7%, from 15.9% for the 2015 financial year due to lower credit losses driven by more stringent lending criteria and stronger collections experience.

## 8.2 Personal Finance

The table below sets out the Key Performance Indicators that are indicative of the performance of Personal Finance as at the dates and for the periods indicated:

	Year ended/At 31 December <sup>(1)</sup>		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
Results from Operations	3,150	3,421	3,073
Gross flows	24,947	24,975	25,553
Life APE sales	2,502	2,603	2,770
NCCF	(2,824)	(3,079)	(156)
FUM	193,691	184,065	179,262
VNB	366	272	500
VNB margin	2.4%	1.7%	2.8%

**Note:**

1. Reconciliations of the non-IFRS measures to their nearest IFRS measures are provided in "Part X – Selected Financial Information – Reconciliation of non-IFRS measures" and Annexe 1D: Selected Notes to the Old Mutual plc Group Historical Financial Information Solely for JSE Purposes.

### 2017 financial year compared to 2016 financial year

Personal Finance's Results from Operations for the 2017 financial year was R3,150 million, a decrease of R271 million, or 8%, from R3,421 million for the 2016 financial year. This decrease was due primarily to significantly lower net positive provision releases compared to the prior year. The legacy book contributed 38% of the segment's Results from Operations, compared to 20% in the 2016 financial year.

Personal Finance's gross flows for the 2017 financial year was R24,947 million remained relatively flat from R24,975 million for the 2016 financial year. This was due primarily to lower single premium flows which were offset by higher recurring flows.

Personal Finance's Life APE sales for the 2017 financial year of R2,502 million, is a decrease of R101 million, or 4%, from R2,603 million for the 2016 financial year. This was due primarily to lower protection sales reflecting pricing competitiveness in the market. Digital channels are increasingly important and contributed 9% of Life APE sales in the 2017 financial year compared to 6% in the 2016 financial year.

Personal Finance's NCCF net outflow for the 2017 financial year was R2,824 million, an improvement of R255 million, or 8%, from R3,079 million for the 2016 financial year. This improvement was due primarily to lower maturities and disinvestments during the 2017 financial year. Net inflows of R6,558 million from the segment's open book were offset by net outflows of R9,382 million from the legacy book.

Personal Finance's FUM for the 2017 financial year was R193,691 million, an increase of R9,626 million, or 5%, from R184,065 million for the 2016 financial year, which benefitted from the growth in the South African equity markets during the second half of the 2017 financial year.

Personal Finance's VNB for the 2017 financial year was R366 million, an increase of R94 million, or 35%, from R272 million for the 2016 financial year. This increase was primarily due to lower distribution costs allocated to life products following a methodology change and annual rate increases in protection products. Consequently, the VNB margin for the 2017 financial year was 2.4%, an increase of 0.7% from 1.7% for the 2016 financial year.

#### *2016 financial year compared to 2015 financial year*

Personal Finance's Results from Operations for the 2016 financial year was R3,421 million, an increase of R348 million, or 11%, from R3,073 million for the 2015 financial year. This increase was due mainly to the positive impact of assumption changes in the retail life insurance business, which included a regulatory change that introduced a fifth fund for risk policies and higher asset-based fees. These impacts were partly offset by higher claims reflecting weaker mortality experience and lower investment variance. The legacy book contributed 20% of the segments Results from Operations, compared to 32% in the 2015 financial year.

Personal Finance's gross flows for the 2016 financial year was R24,975 million, a decrease of R578 million, or 2%, from R25,553 million for the 2015 financial year. This decrease was due primarily to lower single premium savings product sales as a result of the challenging economic environment.

Personal Finance's Life APE sales for the 2016 financial year was R2,603 million, a decrease of R167 million, or 6%, from R2,770 million for the 2015 financial year. This decrease was driven by lower savings product sales, particularly single premium business, as a result of the challenging economic environment.

Personal Finance's NCCF for the 2016 financial year was a net outflow of R3,079 million, a decrease of R2,923 million from the net outflow of R156 million for the 2015 financial year. This decrease was due primarily to the challenging economic environment, which led to a disinvestment of savings by customers under financial pressure as well as higher claims outflow and lower single premium sales levels. NCCF contributed by the legacy book was R10,772 million in the 2016 financial year compared to R10,258 million in the 2015 financial year.

Personal Finance's FUM for the 2016 financial year was R184,065 million, an increase of R4,803 million, or 3%, from R179,262 million for the 2015 financial year. This increase was primarily due to the transfer of the Old Mutual Properties business into Personal Finance policyholder funds from the Wealth and Investments segment in 1 July 2016, partly offset by higher disinvestments on savings products.

Personal Finance's VNB for the 2016 financial year was R272 million, a decrease of R228 million, or 46%, from R500 million for the 2015 financial year. This decrease was due mainly to lower single premium sales, an increase in sales of lower margin products and increased distribution cost strain caused by lower sales volumes. This, coupled with the impact of introducing the fifth tax fund, placed pressure on margins and, as a result, the VNB margin was 1.7%, a decrease of 1.1% from 2.8% for the 2015 financial year.

### **8.3 Wealth and Investments**

The table below sets out the Key Performance Indicators that are indicative of the performance of Wealth and Investments as at the dates and for the periods indicated:

	<b>Year ended/At 31 December<sup>(1)</sup></b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(R million, except as otherwise indicated)</i>		
Results from Operations <sup>(2)</sup>	1,490	1,461	1,770
Gross flows	88,250	93,735	93,183
NCCF	14,113	16,377	24,392
AUM <sup>(3)</sup>	736,666	630,764	632,960
FUM	498,074	433,977	424,478
Intergroup assets	340,487	285,228	290,300
AuMA <sup>(4)</sup>	838,561	719,205	714,778
Assets under administration	(101,895)	(88,441)	(81,818)
Total revenue	4,572	4,477	4,559
Annuity	4,041	3,913	3,642
Non-annuity	531	564	917

**Notes:**

1. Reconciliations of the non-IFRS measures to their nearest IFRS measures are provided in "Part X – Selected Financial Information – Reconciliation of non-IFRS measures" and Annexe 1D: Selected Notes to the Old Mutual plc Group Historical Financial Information Solely for JSE Purposes.
2. In each of the 2017 and 2016 financial years, Results from Operations includes amounts related to amortisation of acquired intangible assets of R132 million.
3. AUM comprises FUM as defined for the Group, as well as funds managed on behalf of other entities in the Group, which is reported as FUM of these respective segments. Assets under administration that is managed externally is not included in AUM.
4. AuMA is AUM including assets under administration.

*2017 financial year compared to the 2016 financial year*

Wealth and Investment's Results from Operations for the 2017 financial year was R1,490 million, an increase of R29 million, or 2%, from R1,461 million for the 2016 financial year. This was largely attributable to growth in base fee income off relatively flat markets in the first half of the 2017 financial year and higher assets in the second half of the 2017 financial year as well as positive investment returns in Alternatives. Results from Operations also include the results of the international branches of OMLACSA and certain supporting subsidiaries previously reported as part of Quilter plc. This was partly offset by lower origination income and deal flow activity in Specialised Finance and the renewables businesses. During the 2017 financial year, a major Flexcube platform upgrade was completed on time and within budget, with no material disruptions to the Wealth and Investment business. The upgrade resulted in significant improvement in the administrative capability, which is necessary to enhance adviser and customer experience.

Wealth and Investment's gross flows for the 2017 financial year was R88,250 million, a decrease of R5,485 million, or 6%, from R93,735 million for the 2016 financial year due to lower platform industry sales, as well as lower direct flows into unit trusts. The Liability Driven Investment and Alternatives boutiques continued to report strong inflows. As a result, Wealth and Investment's NCCF for the 2017 financial year was R14,113 million, a decrease of R2,264 million, or 14%, from R16,377 million for the 2016 financial year.

Wealth and Investment's AUM for the 2017 financial year was R736,666 million, an increase of R105,902 million, or 17%, from R630,764 million for the 2016 financial year. This increase was due primarily to better market performance during the second half of 2017 and the first-time inclusion of R39 billion previously reported in OMAM, which was sold by OM plc Group during the 2017 financial year.

Wealth and Investment's total revenue for the 2017 financial year was R4,572 million, an increase of R95 million, or 2%, from R4,477 million for the 2016 financial year. This increase was due primarily to positive investment returns in the Alternatives boutique and higher fee-based income following good flows in Wealth (SA) combined with improved market performance in the second half of the 2017 financial year. This was partly offset by lower origination income and deal flow activity in Specialised Finance and the renewables businesses.

*2016 financial year compared to the 2015 financial year*

Wealth and Investment's Results from Operations for the 2016 financial year was R1,461 million, a decrease of R309 million, or 17%, from R1,770 million for the 2015 financial year. This decrease was mainly due to the transfer of the Old Mutual Properties business to OMLACSA policyholders, lower performance fees from the Alternatives and asset management businesses following higher renewables performance fees and good equity performance in the prior year. More competitive pricing seen in the retail business in response to market pressures also contributed to this decrease, partly offset by higher investment management fees earned in the 2016 financial year.

Wealth and Investment's gross flows for the 2016 financial year was R93,735 million, an increase of R552 million, or 1%, from R93,183 million for the 2015 financial year following large inflows in the Liability Driven Investment boutique. This was partially offset by lower gross flows in Wealth (SA) reflecting the challenging economic environment clients were facing during 2016.

Wealth and Investment's NCCF for the 2016 financial year was R16,377 million, a decrease of R8,015 million, or 33%, from R24,392 million for the 2015 financial year. This decrease was due primarily to disinvestments by customers in Wealth (SA) in response to the challenging economic environment. This was offset by large asset management inflows in the 2016 financial year.

As a result, Wealth and Investment's AUM for the 2016 financial year was R630,764 million, a decrease of R2,196 million, or 0.3%, from R632,960 million for the 2015 financial year. This was further impacted by the transfer of the Old Mutual Properties business to OMLACSA policyholders.

Wealth and Investment's total revenue for the 2016 financial year was R4,477 million, a decrease of R82 million, or 2%, from R4,559 million for the 2015 financial year. This decrease was driven by a decline in non-annuity income to R564 million, a decrease of R353 million, or 38%, from R917 million in the 2015 financial year due to the transfer of the Old Mutual Properties business to OMLACSA policyholders and lower performance fees. This was partly offset by an increase in annuity income to R3,913 million up by R271 million, or 7%, from R3,642 million in the 2015 financial year due to an increase in investment management fees on higher average AUM as well as the impact of consolidating African Infrastructure Investment Managers Proprietary Limited for first time in the 2016 financial year.

#### 8.4 Old Mutual Corporate

The table below sets out the Key Performance Indicators that are indicative of the performance of Old Mutual Corporate as at the dates and for the periods indicated:

	Year ended/At 31 December <sup>(1)</sup>		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
Results from Operations	1,576	1,403	1,522
Gross flows	35,671	37,681	45,178
Life APE sales	2,719	3,037	2,496
NCCF	(7,121)	3,736	4,714
FUM	255,559	245,411	233,094
VNB	254	501	333
VNB margin	1.0%	1.8%	1.2%

**Note:**

1. Reconciliations of the non-IFRS measures to their nearest IFRS measures are provided in "Part X – Selected Financial Information – Reconciliation of non-IFRS measures" and Annexe 1D: Selected Notes to the Old Mutual plc Group Historical Financial Information Solely for JSE Purposes.

#### 2017 financial year compared to 2016 financial year

Old Mutual Corporate's Results from Operations for the 2017 financial year was R1,576 million, an increase of R173 million, or 12%, from R1,403 million for the 2016 financial year. This increase was due primarily to growth in asset-based fees and improved investment performance following mark-to-market losses in the 2016 financial year driven by the macroeconomic challenges.

Old Mutual Corporate's gross flows for the 2017 financial year was R35,671 million, a decrease of R2,010 million, or 5%, from R37,681 million for the 2016 financial year. This decrease was due primarily to the lower Life APE sales for the 2017 financial year of R2,719 million, a decrease of R318 million, or 10%, from R3,037 million for the 2016 financial year. The decline in Life APE sales was driven by lower single premium retail platform, umbrella and annuity sales.

Old Mutual Corporate's NCCF for the 2017 financial year was a net outflow of R7,121 million, a decrease of R10,857 million, or 291%, from a net inflow of R3,736 million for the 2016 financial year. This decrease was due primarily to higher terminations and benefit payments, which included a significant non-covered outflow during the fourth quarter, albeit at a low margin.

Despite the net outflows in the 2017 financial year, Old Mutual Corporate's FUM for the 2017 financial year was R255,559 million, an increase of R10,148 million, or 4%, from R245,411 million for the 2016 financial year due to positive investment returns.

Old Mutual Corporate's VNB for the 2017 financial year was R254 million, a decrease of R247 million, or 49%, from R501 million for the 2016 financial year. This decrease was due primarily to expense allocation changes and lower sales volumes. Consequently, the VNB margin for the 2017 financial year was 1.0%, a decrease of 0.8%, from 1.8% for the 2016 financial year.

#### 2016 financial year compared to 2015 financial year

Old Mutual Corporate's Results from Operations for the 2016 financial year was R1,403 million, a decrease of R119 million, or 8%, from R1,522 million for the 2015 financial year. This decrease was due to weaker underwriting results from group disability and group life assurance business, in line with the prevailing economic conditions. This was offset by lower expenses through improved administration efficiencies and higher asset based fee income.

Old Mutual Corporate's Gross flows for the 2016 financial year was R37,681 million, a decrease of R7,497 million, or 17%, from R45,178 million for the 2015 financial year. This decrease was due to large non-covered one-off deals included in the 2015 financial year following the conversion of standalone schemes administered to umbrella retirement funds.

Old Mutual Corporate's Life APE sales for the 2016 financial year was R3,037 million, an increase of R541 million, or 22%, from R2,496 million for the 2015 financial year. This increase was due primarily to strong growth in single premium smoothed bonus sales on the retail platform and a number of large group risk assurance deals.

Old Mutual Corporate's NCCF for the 2016 financial year was R3,736 million, a decrease of R978 million, or 21%, from R4,714 million for the 2015 financial year. This decrease was due mainly to lower non-covered inflows compared to the 2015 financial year, which included large one-off deals.

Old Mutual Corporate's FUM for the 2016 financial year was R245,411 million, an increase of R12,317 million, or 5%, from R233,094 million for the 2015 financial year. The increase was driven by higher investment returns earned during the 2016 financial year.

Old Mutual Corporate's VNB for the 2016 financial year was R501 million, an increase of R168 million, or 50%, from R333 million for the 2015 financial year. This increase was due primarily to higher volumes of smoothed bonus and group assurance sales resulting in a more profitable business mix, and improved distribution efficiencies. Consequently, the VNB margin for the 2016 financial year was 1.8%, an increase of 0.6% from 1.2% for the 2015 financial year.

## 8.5 Old Mutual Insure

The table below sets out the Key Performance Indicators that are indicative of the performance of Old Mutual Insure as at the dates and for the periods indicated:

	Year ended/At 31 December <sup>(1)</sup>		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
Results from Operations <sup>(2)</sup>	524	255	497
GWP	12,481	12,082	11,686
Underwriting margin	3.7%	0.9%	3.1%
Insurance margin <sup>(3)</sup>	6.1%	2.9%	5.6%

### Notes:

1. Reconciliations of the non-IFRS measures to their nearest IFRS measures are provided in "Part X – Selected Financial Information – Reconciliation of non-IFRS measures" and Annexe 1D: Selected Notes to the Old Mutual plc Group Historical Financial Information Solely for JSE Purposes.
2. In the 2017 financial year, Results from Operations includes investment return on insurance funds of R200 million and a loss on disposal of fixed assets of R12 million. In the 2016 financial year, Results from Operations includes amounts related to the impairment of fixed assets of R8 million and investment return on insurance funds of R170 million, offset by profit on disposal of fixed assets of R4 million. In the 2015 financial year, Results from Operations includes investment return on insurance funds of R224 million.
3. Insurance margin is the underwriting result added to the investment return on insurance funds, divided by the premiums earned net of reinsurance premiums.

### 2017 financial year compared to 2016 financial year

Old Mutual Insure's Results from Operations for the 2017 financial year was R524 million, an increase of R269 million, or 105%, from R255 million for the 2016 financial year. The increase was due primarily to progress in restoring the quality of the Personal Lines and Commercial Lines books despite the significantly higher impact of catastrophe losses compared to the 2016 financial year. This was achieved through the strengthening of skills to support disciplined underwriting and claims management, which contributed to favourable claims experience.

Old Mutual Insure's GWP for the 2017 financial year was R12,481 million, an increase of R399 million, or 3%, from R12,082 million for the 2016 financial year. The constrained growth in the 2017 financial year was due primarily to tighter underwriting criteria in the current macroeconomic environment, lower policy volume growth following the continued remediation of loss-making business and strong premium growth of 15% in iWyze. iWyze has a focused approach to attract customers with a higher living standards measure which is evident in the average premium growth over the period.

Old Mutual Insure's underwriting margin for the 2017 financial year was 3.7%, an increase of 2.8%, from 0.9% for the 2016 financial year supported by disciplined underwriting, claims efficiencies and ongoing expense management. This increase was further supported by the turnaround of iWyze, which is now profitable, and an improvement in CGIC's results, partially offset by a reduction in net earned premiums following changes in the reinsurance agreements in the corporate and specialty business.

Old Mutual Insure's insurance margin for the 2017 financial year was 6.1%, an increase of 3.2%, from 2.9% for the 2016 financial year due to the improvement in the underwriting result and strong investment returns with an improvement in interest rates earned from 6.45% in the 2016 financial year to 8.11% in the 2017 financial year.

### 2016 financial year compared to 2015 financial year

Old Mutual Insure's Results from Operations for the 2016 financial year was R255 million, a decrease of R242 million, or 49%, from R497 million for the 2015 financial year. This decrease was due primarily to low client revenue growth in the first half of the 2016 financial year as well as higher claims ratios in the commercial, specialty, and CGIC business lines. The decrease was partly offset by effective expense management and additional reinsurance to protect earnings volatility in the second half of the 2016 financial year.

Old Mutual Insure's GWP for the 2016 financial year was R12,082 million, an increase of R396 million, or 3%, from R11,686 million for the 2015 financial year. This increase was due primarily to management's decision not to renew business offered at non-commercial terms and the impact of the ongoing drought in most of South Africa in the agricultural industry through much of the 2016 financial year. The corporate and specialty business was further impacted by the slowdown in economic activity in the 2016 financial year. However, strong GWP growth of 15% over the 2016 financial year was recorded in iWyze following several marketing initiatives.

Old Mutual Insure's underwriting margin for the 2016 financial year was 0.9%, a decrease of 2.2%, from 3.1% for the 2015 financial year. This reflected difficult business conditions and a competitive environment, resulting in a higher average cost per claim for attritional losses, with the group schemes business experiencing a deterioration in the loss ratio.

Old Mutual Insure's insurance margin for the 2016 financial year was 2.9%, a decrease of 2.7%, from 5.6% for the 2015 financial year. This was due primarily to a decline in the underwriting margin and the lower investment return on insurance funds due to the reduction in interest rates earned from 8.13% in 2015 to 6.45% in 2016, as well as a reduction in the average total net reserves.

## 8.6 Rest of Africa

The table below sets out the Key Performance Indicators that are indicative of the performance of Rest of Africa segment as at the dates and for the periods indicated:

	Year ended/At 31 December <sup>(1)</sup>		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
Results from Operations <sup>(2)</sup>	1,081	861	771
Gross flows	21,306	19,298	18,115
Life APE sales	1,347	1,095	1,088
NCCF	2,221	3,247	4,415
FUM	103,951	89,638	88,987
VNB	267	210	257
VNB margin	4.3%	3.8%	4.3%
Loans and advances	11,241	10,742	11,610
Net lending margin	11.4%	11.8%	11.7%
GWP	3,654	4,091	2,611
Underwriting margin	(1.1%)	3.2%	1.6%

### Notes:

1. Reconciliations of the non-IFRS measures to their nearest IFRS measures are provided in "Part X – Selected Financial Information – Reconciliation of non-IFRS measures" and Annexe 1D: Selected Notes to the Old Mutual Plc Group Historical Financial Information Solely for JSE Purposes.
2. In the 2017 financial year, Results from Operations includes amounts related to the impairment of intangible assets of R16 million offset by profit on disposal of fixed assets of R2 million and the amortisation of acquired intangible assets of R6 million, and is presented net of operating expenses. In the 2016 financial year, Results from Operations includes amounts related to the impairment of intangible assets of R64 million offset by profit on disposal of fixed assets of R3 million and the amortisation of acquired intangible assets of R7 million, and is presented net of operating expenses.

### 2017 financial year compared to 2016 financial year

The Rest of Africa's Results from Operations for the 2017 financial year was R1,081 million, an increase of R220 million, or 26%, from R861 million for the 2016 financial year. This was driven by higher asset-based fee income in Zimbabwe due to equity market performance, growth in Malawi's group life underwriting results, as well as good investment contract profits in Namibia. East Africa also showed significant improvement following good mortality experience on the Group's life assurance book and an improvement in the underwriting experience in the Property and Casualty business following management actions taken during the year.

The Rest of Africa's gross flows for the 2017 financial year was R21,306 million, an increase of R2,008 million, or 10%, from R19,298 million for the 2016 financial year. The increase was driven by good unit trust sales in Zimbabwe as clients seek to take advantage of the higher returns on the stock market and Namibia non-life flows from institutional clients, whilst Malawi recorded exceptional growth in the group life sales of its corporate business, notwithstanding its low base.

The Rest of Africa's Life APE sales for the 2017 financial year was R1,347 million, an increase of R252 million, or 23%, from R1,095 million for the 2016 financial year. This increase was due to improved corporate flows in Namibia related to the Absolute Growth Portfolio and pension reforms in Malawi resulting in the business attracting a significant share of the new market flows. This was, however, partly offset by the non-renewal of a few loss-making corporate schemes and lower adviser productivity in Kenya impacted by the protracted elections in the country.

The Rest of Africa's NCCF for the 2017 financial year was R2,221 million, a decrease of R1,026 million, or 32%, from R3,247 million for the 2016 financial year. The inflows were adversely impacted by a large outflow from the government pension fund in Namibia caused by regulatory rebalancing requirements, thus adversely impacting outflows, partly offset by the good life and non-life sales.

The Rest of Africa's FUM for the 2017 financial year was R103,951 million, an increase of R 14,313 million, or 16%, from R89,638 million for the 2016 financial year. This increase was a result of strong investment returns in Zimbabwe marginally offset by lower NCCF.

The Rest of Africa's VNB for the 2017 financial year was R267 million, an increase of R57 million, or 27%, from R210 million for the 2016 financial year, due to a change in the mix of business towards higher margin smoothed bonus business.

The Rest of Africa's loans and advances for the 2017 financial year was R11,241 million, an increase of R499 million, or 5%, from R10,742 million for the 2016 financial year. This increase reflects growth in the mortgage and business loans books in CABS, and the first time consolidation of the lending business in Namibia during the 2017 financial year.

The Rest of Africa's net lending margin for the 2017 financial year was 11.4%, a decrease of 0.4%, from 11.8% for the 2016 financial year. This decrease reflects lower loan yields as a result of the introduction of interest rate caps in Zimbabwe and rate caps on commercial banks in Kenya which impacted Faulu indirectly as a microfinance bank. The margin pressure was partially offset by an improvement in funding costs driven by the re-pricing of deposits.

The Rest of Africa's GWP for the 2017 financial year was R3,654 million, a decrease of R437 million, or 11%, from R4,091 million for the 2016 financial year. This decrease was due primarily to the decision to exit loss making accounts in the health business and a loss of government schemes in Tanzania following regulatory changes.

The Rest of Africa's underwriting margin for the 2017 financial year was a negative 1.1%, a decrease of 4.3% from 3.2% for the 2016 financial year. This decrease resulted from higher weather-related claims in the SADC region, along with the impact of higher central cost allocations. This was partly offset by the positive impact of the remediation on loss-making business and better claims experience in East Africa following management actions throughout the year.

#### *2016 financial year compared to 2015 financial year*

The Rest of Africa's Results from Operations for the 2016 financial year was R861 million, an increase of R90 million, or 12%, from R771 million for the 2015 financial year. The increase was mainly due to the full year consolidation of UAP in the 2016 financial year, compared to 6 months in the 2015 financial year, and increased profits from Zimbabwe due to the depreciation of the Rand. This was partly offset by higher finance costs in MPICO, the property development company in Malawi, an increased credit impairment provision in FDH Bank in Malawi, and higher East Africa property and casualty claims in the first half of the 2016 financial year. A further impairment of intangible assets relates to an internally developed policy administration system where the future benefits needed to be reviewed due to scale not being achieved in Nigeria and a delay in implementation in Malawi and Zimbabwe.

The Rest of Africa's gross flows for the 2016 financial year was R19,298 million, an increase of R1,183 million, or 7%, from R18,115 million for the 2015 financial year. The increase was due primarily to the consolidation of UAP in the 2016 financial year, with only 6 months included in the consolidated results of the 2015 financial year, and an increase in life APE sales from Namibia and Ghana. The strong asset management flows in Zimbabwe were mainly due to the increase in property sales resulting from several high value property deals. This was partly offset by a 19% reduction in Namibian non-covered flows, reflecting liquidity challenges faced by the Namibian financial sector.

The Rest of Africa's Life APE sales for the 2016 financial year was R1,095 million, an increase of R7 million, or 1%, from R1,088 million for the 2016 financial year. This increase was driven by the APE growth in Namibia due to higher unit trust business, along with the full year inclusion of UAP life APE leading to the 41% increase in life APE sales in East Africa. However, this was largely offset by low sales in Zimbabwe given the challenging economic environment.

The Rest of Africa's NCCF for the 2016 financial year was R3,247 million, a decrease of R1,168 million, or 26%, from R4,415 million for the 2015 financial year. This decrease was due primarily to higher outflows driven by the challenging economic conditions in Namibia and Zimbabwe.

The Rest of Africa's FUM for the 2016 financial year was R89,638 million, an increase of R651 million, or 1%, from R88,987 million for the 2015 financial year. This increase was due to market performance in Zimbabwe partly offset by a decline in NCCF.

The Rest of Africa's VNB for the 2016 financial year was R210 million, a decrease of R47 million, or 18%, from R257 million for the 2015 financial year. This was primarily due to a higher proportion of lower margin life-wrapped unit trust business in Namibia, and lower margin sales in Kenya. As a result, the VNB margin for the 2016 financial year was 3.8%, a decrease of 0.5% from 4.3% for the 2016 financial year.

The Rest of Africa's loans and advances for the 2016 financial year was R10,742 million, a decrease of R868 million, or 7%, from R11,610 million for the 2015 financial year. This decrease was due primarily to a slowdown in personal loans in CABS as a result of a more cautious lending strategy given the Zimbabwean macroeconomic environment in Zimbabwe. This was slightly offset by constant currency growth in small secured and medium-sized enterprises lending in Kenya's Faulu.



The Rest of Africa's net lending margin for the 2016 financial year was 11.8%, an increase of 0.1% from 11.7% in the 2015 financial year. This was due to a reduction in the credit losses over the 2016 financial year given the more cautious lending strategy adopted by CABS in Zimbabwe.

The Rest of Africa's GWP for the 2016 financial year was R4,091 million, an increase of R1,480 million, or 57%, from R2,611 million for the 2015 financial year. This significant increase was due primarily to the full-year consolidation of UAP in the 2016 financial year, with only 6 months included in the consolidated results of the 2015 financial year. As a result, the underwriting margin for the 2016 financial year was 3.2%, an increase of 1.6% from 1.6% for the 2015 financial year.

## 8.7 LatAm and Asia

On 15 March 2018, OMSA and Lily Purchaser entered into the OMLAH SPA and AIVA SPA, in terms of which, *inter alia*, OMSA will dispose of its interests in OMLAH (ie Colombia and Mexico) and AIVA, including their direct and indirect subsidiaries and subsidiary undertakings, through which the Group's businesses in Latin America is currently conducted. These agreements are subject to certain conditions precedent, including obtaining the required regulatory approvals in the relevant jurisdictions. For further information on the transaction, please see "Part XX – Additional Information – Disposal of Property" and "Part XX – Additional Information – Material Contracts". On implementation of these transactions, the Group will no longer have any operations in Latin America.

The table below sets out the Key Performance Indicators that are indicative of performance of LatAm and Asia as at the dates and for the periods indicated:

	Year ended/At 31 December <sup>(1)</sup>		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
Results from Operations <sup>(2)</sup>	609	611	524
Gross flows	63,325	54,881	42,462
Life APE sales	1,877	2,325	2,017
NCCF	24,856	9,575	11,972
FUM	179,855	168,144	170,218
VNB	(24)	(43)	(53)
VNB margin <sup>(3)</sup>	(0.8%)	(1.6%)	(3.5%)

### Notes:

1. Reconciliations of the non-IFRS measures to their nearest IFRS measures are provided in "Part X - Selected Financial Information – Reconciliation of non-IFRS measures" and Annexe 1D: Selected Notes to the Old Mutual Plc Group Historical Financial Information Solely for JSE Purposes.
2. In the 2017 and 2016 financial years, Results from Operations excludes central expenses of R3 million and R15 million respectively. In the 2015 financial year, Results from Operations includes amounts related to amortisation of acquired intangible assets of R25 million and excludes central expenses of R111 million.
3. No VNB or PVNBP is calculated in respect of Life APE sales in Asia (India and China).

### 2017 financial year compared to 2016 financial year

LatAm and Asia's Results from Operations for the 2017 financial year was R609 million, was relatively flat compared to R611 million for the 2016 financial year. This was due primarily to higher portfolio investment returns in Colombia offset by the impacts of a stronger rand.

LatAm and Asia's gross flows for the 2017 financial year was R63,325 million, an increase of R8,444 million, or 15%, from R54,881 million for the 2016 financial year. This increase was primarily due a few large private wealth sales through AIVA in the 2017 financial year.

LatAm and Asia's Life APE sales for the 2017 financial year was R1,877 million, a decrease of R448 million, or 19%, from R2,325 million for the 2016 financial year. This decrease was due primarily to only 9 months of India results included in the 2017 financial year, compared to full year inclusion in the 2016 financial year, and reduced China sales as the business transitions to focusing on distributing risk products following regulatory changes. This was partly offset by higher life sales in Colombia relating to the pension savings product launched in the 2016 financial year.

LatAm and Asia's NCCF for the 2017 financial year was R24,856 million, an increase of R15,281 million, or 160%, from R9,575 million for the 2016 financial year. This increase was due primarily to a few large private wealth sales through AIVA and higher Colombian corporate trust, mandatory pension and voluntary pension flows in the 2017 financial year. As a result, FUM for the 2017 financial year was R179,855 billion, an increase of R11,711 million, or 7%, from R168,144 million for the 2016 financial year.

LatAm and Asia's VNB for the 2017 financial year was negative R24 million, an increase of R19 million, or 44%, from negative R43 million for the 2016 financial year. This improvement was due primarily to scale efficiencies. VNB is not calculated for Asia.

### 2016 financial year compared to 2015 financial year

LatAm and Asia's Results from Operations for the 2016 financial year was R611 million, an increase of R87 million, or 17% from R524 million for the 2015 financial year driven by improved investment returns in Colombia, controlled expense growth across LatAm, and strong investment results reported in the India business. This was largely offset by a loss in China resulting from lower investment income and the impact of the reclassification of certain products for tax purposes.

LatAm and Asia's gross flows for the 2016 financial year was R54,881 million, an increase of R12,419 million, or 29%, from R42,462 million for the 2015 financial year. This was mainly due to large corporate deals secured in the latter part of the 2016 financial year and the first-time recognition of Old Mutual Global Investors (UK) flows distributed through AIVA.

LatAm and Asia's Life APE sales for the 2016 financial year was R2,325 million, an increase of R308 million, or 15%, from R2,017 million for the 2015 financial year. This is mainly due to increased third-party distribution sales in Mexico, higher sales in Colombia following the launch of a new pension savings product, as well as strong recurring premium individual savings business and group recurring fund business in the India business.

LatAm and Asia's NCCF for the 2016 financial year was R9,575 million, a decrease of R2,397 million, or 20%, from R11,972 million for the 2015 financial year. This was largely driven by high surrenders from universal life products in China following regulatory changes and a large low margin corporate disinvestment in Colombia in the 2016 financial year. This was partly offset by stronger corporate net flows in Mexico and good sales generated in India from retail and group business. As a result, FUM for the 2016 financial year was R168,144 million, a decrease of R2,074 million, or 1%, from R170,218 million for the 2015 financial year.

LatAm and Asia's VNB for the 2016 financial year was negative R43 million, an improvement of R10 million, or 19%, from negative R53 million for the 2015 financial year. This was largely due to the inclusion of Colombia VNB for the first time in the 2016 financial year. As a result, VNB margin improved by 1.9% from negative 3.5% in the 2015 financial year to negative 1.6% in the 2016 financial year. VNB is not calculated for Asia.

## 9. Central Expenses

Central expenses are included within Results from Operations and mainly comprise of costs to support the segment operating activities. Central expenses for the 2017 financial year totalled R506 million, a decrease of R154 million, or 23%, from R660 million for the 2016 financial year. This decrease was due primarily to the impact of a change to the central cost allocation methodology and a reduction in long-term incentive provisions as a result of lapsed share awards. The change in central cost allocation methodology resulted in R229 million being allocated directly to segments. Consequently, year-on-year segmental performance is not comparable. The decrease of R386 million, or 37%, from R1,046 million during the 2015 financial year was supported by expense reduction initiatives and lower project spend.

The new Group target operating model and fundamental multi-year transformation of the finance function will, lead to the introduction of new cost, client and capital allocation methodologies. This will result in the following changes: only costs incurred for the holding company will be reported as central costs, the segment capital allocation methodology will be aligned with the new SAM regulatory regime and implementation of IFRS 17, and the chosen client-driven segmentation will be progressively implemented away from a largely product-led approach. Changes introduced will be reported on and reconciled to any previous disclosures.

The Group will continue to focus its efforts on cost optimisation initiatives across the business. A cost base review was undertaken in the second half of the 2017 financial year to identify opportunities that enable the business to run more efficiently by leveraging its scale. The Group is targeting pre-tax run-rate cost savings of R1 billion by the end of the 2019 financial year, net of costs to achieve this. This will be delivered after the effects of foreign currency movements and inflation over the next two years. With effect from the 2020 financial year, the Group is targeting to manage its cost base within inflation.

## 10. Other Group Activities

Other Group activities comprise the activities related to the management of the Group's capital structure which includes shareholder investment assets and third party borrowings (excluding Residual plc), including the associated shareholder investment return and finance cost. It also includes the Group's investment in Nedbank as well as the management of Residual plc.

### 10.1 Shareholder investment return

The table below sets out shareholder investment return of the Group for the 2017, 2016 and 2015 financial years:

	Year ended 31 December		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
Shareholder investment return	4,920	2,205	1,690

The related shareholder investment return for the 2017 financial year was R4,920 million, an increase of R2,715 million, or 123%, from R2,205 million for the 2016 financial year. This was due to increased returns following strong equity market performance in Zimbabwe and good market performance in South Africa during the second half of the year, further enhanced by a higher shareholder asset base due to strong equity markets in the 2016 financial year. The increase of R515 million, or 30%, to R2,205 million in the 2016 financial year from R1,690 million in the 2015 financial year was driven by higher shareholder investment returns due to stronger equity markets in Zimbabwe.

## 10.2 Finance Cost

The table below sets out finance cost related to third party borrowings of the Group excluding Residual plc for the 2017, 2016 and 2015 financial years.

	Year ended 31 December		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
Finance cost	(622)	(529)	(296)

Finance costs related to third party borrowings, excluding Residual plc, for the 2017 financial year were R622 million, an increase of R93 million, or 18%, from R529 million for the 2016 financial year. This follows the higher overall interest rates experienced in South Africa over the last 12 months, given OMLACSA has both fixed rate and floating rate bonds in issue. The increase of R233 million, or 79%, from R296 million in the 2015 financial year, results from the additional subordinated debt securities issued by OMLACSA in the second half of the 2016 financial year.

## 10.3 Nedbank

Following the Nedbank Unbundling, the Group will retain a 19.9% shareholding in the issued share capital of Nedbank in its shareholder funds subsequent to the loss of control. Consistent with the intention of the Nedbank Unbundling, income from associates for the 2015 and 2016 financial years reflects proportionate headline earnings that would have been earned from the investment in Nedbank, as if the unbundling transaction had occurred on 1 January 2015.

Income from associates for the 2017 financial year was R2,346 million, an increase of R64 million, or 3%, from R2,282 million for the 2016 financial year. Slower than expected revenue growth was experienced in managed operations, which was offset by reduced impairments and good cost management. The increase of R127 million, or 6%, from R2,155 million in the 2015 financial year was driven by strong growth from managed operations offset by an attributable loss from Ecobank.

## 10.4 Residual plc

### Statement of Comprehensive Income

The table below sets out the financial information related to Residual plc for the 2017, 2016 and 2015 financial years:

	Year ended 31 December		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
Finance costs	1,132	1,754	1,620
Corporate costs (before recharges)	995	1,575	1,562

Old Mutual plc finance costs for the 2017 financial year was R1,132 million, a decrease of R622 million, or 35%, from R1,754 million for the 2016 financial year. This largely reflected the repayment of R1,926 million of senior fixed rate debt security in October 2016 and the repurchase and redemption of R4,532 million of perpetual preferred callable securities in February 2017. The repurchase of the Tier 2 subordinated 2015 securities and Tier 2 subordinated 2021 securities in November 2017 had no impact on the year-over-year movement due to the timing of repayment. The increase of R134 million, or 8%, in the 2016 financial year from R1,620 million in the 2015 financial year was driven by debt refinancing activity completed in November 2015.

Old Mutual plc corporate costs before recharges for the 2017 financial year was R995 million, a decrease of R580 million, or 37%, from R1,575 million in the 2016 financial year. This reflects savings of R189 million as a result of retrenchment activity in the 2016 and 2017 financial years and wider repurposing of Old Mutual plc Head Office, including over 50% reduction in headcount compared with January 2016. The reduction in corporate costs includes the impact of property and insurance costs of R171 million, which were previously incurred by Old Mutual plc, and therefore reflected in gross corporate costs. The decrease of R13 million, or 1%, in the 2016 financial year from R1,562 million in the 2015 financial year was not fully reflective of the reshaping and repurposing of the Old Mutual plc Head Office due to timing of redundancy activities.

### Statement of financial position

Old Mutual Plc continues to make progress with the financial wind down and de-risking of the Old Mutual plc Head Office. The crystallisation of net asset value of the Old Mutual plc Head Office ("plc Head Office NAV") into cash allows Old Mutual plc to maintain appropriate buffers to manage risks and obligations during the period as a result of the execution of Managed Separation and the wind down of the Old Mutual plc Head Office. However, there are still actual and potential demands on cash and liquidity during this period. Cash utilisation will continue not only as a result of the current Old Mutual plc Group structure, but also to manage the resolution of and meet the remaining Managed Separation and business standalone costs across the Old Mutual plc Group.

The table below sets out the composition of the plc Head Office NAV for the 2017, 2016 and 2015 financial years:

	As at 31 December		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
Cash <sup>(1)(2)</sup>	9,049	12,598	17,114
Seed Investments	101	2,509	5,088
Net inter-company funding <sup>(1)</sup>	12,718	13,835	17,502
Borrowed funds <sup>(3)</sup>	(7,725)	(21,872)	(31,284)
Net sundry debtors	972	(1,000)	(1,985)
<b>plc Head Office NAV</b>	<b>15,115</b>	<b>6,070</b>	<b>6,435</b>

#### Notes:

- Subsequent to 31 December 2017, further steps to finalise the Managed Separation were taken which lead to an increase of R3,351 million in cash and a decrease of R12,973 million in net inter-company funding. Old Mutual plc completed the sale of SUKL to Quilter plc for a consideration, in exchange for additional equity in Quilter plc. Quilter plc also repaid an outstanding loan to Old Mutual plc. Taking into account these movements in the net asset value, plc Head Office NAV comprise of approximately R5,492 million. Further including Old Mutual Bermuda with a net asset value of R2,078 million, Residual plc comprise of approximately R7,570 million. Amounts translated using the spot exchange rate as at 31 December 2017.
- The cash balance comprises of cash and near cash instruments, including money market funds, UK government securities and a liquid corporate bond portfolio.
- Borrowed funds for the 2016 and 2015 financial years include the perpetual preferred callable securities which are classified as equity instruments in the Historical Financial Information of the Old Mutual plc Group.

Centrally held cash and liquidity buffers will transition from Old Mutual plc Head Office as part of the preparations for the independence of the relevant subsidiaries following Managed Separation. As at 31 December 2017, cash was R9,049 million, a decrease of R3,549 million, or 28%, from R12,598 million as at 31 December 2016. The decrease was primarily due to net proceeds received from the sale of OMAM, Kotak and OMW Italy offset by repayments of borrowed funds. In addition, as an initial step in preparing Quilter plc's capital structure and in light of regulatory changes, Old Mutual plc Head Office contributed R3,286 million of capital into Quilter plc during the 2017 financial year. No significant movement in cash balances occurred between 31 December 2016 and 31 December 2015.

As at 31 December 2017, seed investments was R101 million, a decrease of R2,409 million, or 96%, from R2,509 million as at 31 December 2016. This decrease was due primarily to the continued reduction of the seed portfolio as part of the Managed Separation. During the 2017 financial year, the remaining funds in OMAM and Rogge Global Partners Limited were redeemed, with remaining seed investments still held in MEM funds.

Net inter-company funding balances represent intergroup funding that was provided to Quilter plc for certain acquisitions and loan notes outstanding from Old Mutual plc to Bermuda. As at 31 December 2017, intergroup funding balances was R12,718 million, a decrease of R1,117 million, or 8%, from R13,835 million as at 31 December 2016, due to a receivable due from OMAM, which was included in the 2016 financial year and subsequently reclassified to net sundry debtor following the sale of the business during the 2017 financial year.

As at 31 December 2017, borrowed funds was R7,725 million, a decrease of R14,147 million, or 65%, from R21,872 million as at 31 December 2016. The decrease is largely due to the repurchase and redemption of R4,532 million preferred callable securities on 3 February 2017. In addition, R6,671 million of the Tier 2 subordinated 2025 securities and R2,728 million nominal of the Tier 2 subordinated 2021 securities were repurchased and redeemed on 24 November 2017.

Net sundry debtors and creditors includes both third party and current inter-company debtors and creditors that are not related to long-term capital funding. As at 31 December 2017, a net sundry creditors balance of R1,000 million as at 31 December 2016 changed to a debtor's balance of R972 million. The movements are mainly due to settlement of current inter-company debtors and creditors for the finalisation of Managed Separation.

## 11. Other Group KPIs

### 11.1 Return on Net Asset Value

RoNAV is calculated as Adjusted Headline Earnings divided by average Adjusted IFRS equity. Adjusted IFRS Equity is calculated as total Group equity attributable to ordinary equity shareholders before adjustments related to consolidation of funds. It excludes equity related to Residual plc and discontinued operations and is further adjusted to recognise the equity attributable to the retained 19.9% interest in Nedbank from the 2015 financial year onwards. From the time of the Nedbank Unbundling, the equity attributable to Nedbank will be adjusted to remove the one-off fair value adjustment required under IFRS and the same adjustment will be applied when calculating RoNAV on an ongoing basis. The average Adjusted IFRS Equity will be calculated on a quarterly basis for each reporting year. The Group is targeting RoNAV equal to its average cost of equity (not including its interest in Nedbank) plus 4%.

In accordance with IFRS, the unbundling of the Group's existing controlling interest in Nedbank will be accounted for as a deemed disposal of the entire holding in Nedbank at fair value, and the retained 19.9% interest in Nedbank will be deemed to be acquired at the same fair value. The fair value applied is expected to be the market value of the Nedbank shares on the date of Nedbank Unbundling. The one-off uplift to IFRS equity would be the difference between the investment in associate which reflects the fair value at the date of unbundling and book value of the retained interest in Nedbank directly before the unbundling.

The table below sets out the Group RoNAV, by geographical region for the 2017, 2016 and 2015 financial years:

	Year ended 31 December		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
South Africa <sup>(1)</sup>	20.8%	19.9%	21.8%
Rest of Africa	31.1%	16.2%	8.7%
LatAm & Asia	14.0%	13.4%	8.4%
<b>Group RoNAV</b>	<b>22.3%</b>	<b>18.9%</b>	<b>18.8%</b>

**Note:**

- Following the Nedbank Unbundling, the Group will retain a proposed shareholding of 19.9% in the issued share capital of Nedbank in shareholder funds. Consistent with this Adjusted Headline Earnings include income presented reflects the proportionate headline earnings that would have been earned from the investment in Nedbank, with effect from 1 January 2015. Average Adjusted IFRS equity includes equity attributable to the retained 19.9% interest in Nedbank, with effect from 1 January 2015.

The table below sets out the Shareholder investment return by geographical region for the 2017, 2016 and 2015 financial years:

	Year ended 31 December		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
South Africa	1,849	948	1,422
Rest of Africa	3,071	1,257	268
<b>Shareholder investment return</b>	<b>4,920</b>	<b>2,205</b>	<b>1,690</b>

The table below sets out the average Adjusted IFRS equity used to determine the Group's RoNAV, by geographical region for the 2017, 2016 and 2015 financial years:

	Year ended 31 December		
	2017	2016	2015
	<i>(R million, except as otherwise indicated)</i>		
South Africa <sup>(1)</sup>	46,369	43,237	40,411
Rest of Africa	10,781	10,559	8,853
LatAm & Asia	2,945	3,272	3,000
<b>Group average Adjusted IFRS equity<sup>(2)</sup></b>	<b>60,095</b>	<b>57,068</b>	<b>52,264</b>

**Notes:**

- Following the Nedbank Unbundling, the Group will retain a proposed shareholding of 19.9% in the issued share capital of Nedbank in shareholder funds of Nedbank. Consistent with this average Adjusted IFRS equity includes equity attributable to the retained 19.9% interest in Nedbank, with effect from 1 January 2015.
- The average Adjusted IFRS equity has been calculated with reference to closing Adjusted IFRS equity of R62,768 million, R57,422 million and R56,715 million, respectively, as at 31 December 2017, 2016 and 2015.

The Group's RoNAV was 22.3% for the 2017 financial year, an increase of 3.4%, from 18.9% in the 2016 financial year. This increase was due to higher investment returns in South Africa and high growth in investment return in Zimbabwe which contributed to a 25% increase in Adjusted Headline Earnings with a corresponding increase of 5% in average Adjusted IFRS Equity during the same period. The relatively flat increase of 0.1% from 18.8% in the 2015 financial year was due primarily to higher investment returns in Rest of Africa contributing to a 10% increase in Adjusted Headline Earnings, matched by an increase in the average Adjusted IFRS Equity of 9%.

The RoNAV relating to South Africa was 20.8% for the 2017 financial year, an increase of 0.9%, from 19.9% in the 2016 financial year. This increase was primarily due to good operational performance, supported by higher investment returns which contributed to a 12% increase in Adjusted Headline Earnings with a corresponding increase of 7% in average Adjusted IFRS equity over the same period due to higher cash retention. The decrease of 1.9% from 21.8% in the 2015 financial year was due primarily to a 2% decrease in Adjusted Headline Earnings reflecting lower investment returns and slightly lower operational performance during the 2016 financial year. The corresponding increase of 7% in average Adjusted IFRS equity over the same period was due to higher cash retention.

The RoNAV relating to Rest of Africa was 31.1% for the 2017 financial year, an increase of 14.9%, from 16.2% in the 2016 financial year. This increase was due primarily to abnormally high investment returns earned in Zimbabwe, which increased Adjusted Headline Earnings by 96% with a corresponding increase of 2% in average Adjusted IFRS equity over the same period. The increase of 7.5% from 8.7% in the 2015 financial year was due to strong investment returns earned in Zimbabwe and increased profits from Zimbabwe due to the depreciation of the Rand, which increased Adjusted Headline Earnings by 123% with a corresponding increase of 19% in average Adjusted IFRS equity over the same period. This increase in average Adjusted IFRS equity was the result of a lower equity base in the 2015 financial year related to the acquisition of UAP. The opening equity of the 2015 financial year excluded UAP that was acquired during the 2015 financial year, leading to a lower average Adjusted IFRS equity for the 2015 financial year.

The RoNAV relating to LatAm and Asia was 14.0% for the 2017 financial year, an increase of 0.6%, from 13.4% in the 2016 financial year. This reflects a decrease of 6% in Adjusted Headline Earnings, with a corresponding decrease in the average Adjusted IFRS Equity of 10% over the same period due to the impact of the sale of the business of India. The increase of 5% from 8.4% in the 2015 financial year reflects an increase in Adjusted Headline Earnings of 74% following higher fee based income off a larger asset base due to strong investment returns in Colombia and Mexico as well as lower expense growth, with a corresponding increase of 9% in average Adjusted IFRS Equity over the same period.

## 11.2 **Free Surplus Generation**

Free Surplus is calculated as the difference between Adjusted Headline Earnings and the amount of capital required by the businesses to grow in line with the Group's strategy. The result represents the free surplus available for investment or distribution to shareholders and is after allowing for the deduction of surplus generated in some operations where that surplus is not fungible and the limitation of the contribution from Nedbank in this calculation the cash dividend received.

The Group's Free Surplus for the 2017 financial year was R8 billion, an increase of R1.8 billion, or 30%, from R6.2 billion for the 2016 financial year. This increase was primarily due to higher South African investment returns and strong performance from Old Mutual Insure that had a significant turnaround in their underwriting result and a reduction in capital requirements. The Group's Free Surplus for the 2017 financial year represents 60% of the Group Adjusted Headline Earnings over the same period, compared to 57% in the 2016 financial year. This increase was again due to the strong performance of Old Mutual Insure that has higher Free Surplus conversion in the 2017 financial year.

The Group's Free Surplus over the 2015 and 2016 financial years was stable in absolute terms. The decrease of 5% in the conversion to 57% in the 2016 financial year from 62% in the 2015 financial year was primarily due to higher Adjusted Headline Earnings, given strong investment returns in Zimbabwe. However, these profits do not contribute to the Group's Free Surplus due to fungibility constraints.

The Free Surplus conversion from Adjusted Headline Earnings in 2017 is driven by three key factors. Firstly approximately 15% of the current ongoing cash generation is used to fund the net capital requirements of our businesses, the majority of which are in South Africa and mostly relating to Life and Savings, which continues to generate healthy returns and robust new business margins. Fungibility constrained the conversion by approximately 22%, given strong investment returns in Zimbabwe.

Part of the ongoing cash generation (approximately 25%) is used to fund capital requirements for new business initiatives, the majority of which are in South Africa, mostly relating to Life and Savings and which continues to generate healthy returns and robust new business margins. The cash used to fund the new business capital requirements is not available for distribution and hence does not form part of Free Surplus.

Finally, approximately 50% of Nedbank's Headline Earnings contributes to Free Surplus in the form of the cash dividends received by the Group which diluted the conversion rate for the Group by a further 2% in the 2017 financial year compared to 3% and 4% in the 2016 and 2015 financial years.

Going forward, the conversion from Adjusted Headline Earnings to Free Surplus may be affected by the introduction of the SAM framework.

## 12. Liquidity and Capital Resources

### 12.1 General

The financial management framework ensures that an adequate amount of quality capital and liquidity is held in the Group and through its various subsidiaries. The framework is informed by the Group's business strategy and associated risk appetite, and it imposes minimum standards at Group and subsidiary level in order to address a number of competing stakeholder interests, including to:

- meet the Group's minimum regulatory requirements at all times;
- meet policyholders' claims both in normal circumstances and in severe scenarios;
- meet coupon and principal payments on debt instruments;
- maximise value for shareholders in line with stated growth and return targets and the dividend policy; and
- achieve and maintain a desired credit rating.

The underlying brand promise delivers a conservative appetite for solvency risk, and targets a very strong capital position both for its main insurer OMLACSA and the Group as a whole. Solvency ranges for both OMLACSA and the Group are set by considering a combination of technical analysis under a range of very severe domestic and international scenarios, peer benchmarking as well as regulator and other stakeholder expectations. Further information is provided in "Part XIII – Capital Position and Liquidity Risk Management Framework".

The Group's primary sources of liquidity have historically been the cash generated by its operations, cash received as a result of various third party borrowing arrangements and surplus shareholder assets which are invested in cash or short-term fixed income instruments. The Group also has access to an undrawn revolving credit facility of R5.25 billion.

	At 31 December		
	2017	2016	2015
	<i>(R million)</i>		
Net cash inflow from operating activities from continuing operations	13,206	12,348	12,643
Net cash outflow from investing activities from continuing operations	(3,498)	(9,235)	(31,376)
Net cash (outflow)/inflow from financing activities from continuing operations	(20,945)	(11,801)	2,293
<b>Net cash outflow from continuing operations</b>	<b>(11,237)</b>	<b>(8,688)</b>	<b>(16,440)</b>
<b>Net cash inflow from discontinued operations</b>	<b>10,221</b>	<b>6,496</b>	<b>18,528</b>
Effects of exchange rate changes on cash and cash equivalents	(1,290)	(12,636)	11,246
Cash and cash equivalents at beginning of the year	102,640	117,468	104,134
<b>Cash and cash equivalents at end of year</b>	<b>100,334</b>	<b>102,640</b>	<b>117,468</b>

#### *Cash flow from operating activities*

Net cash inflow from operating activities from continuing operations for the 2017 financial year was R13,206 million compared to net cash inflows of R12,348 million for the 2016 financial year, an increase in inflows of R858 million, or 7%. This increase in inflows was driven primarily by the increase in Results from Operations of 8% during the 2017 financial year.

Net cash inflow from operating activities from continuing operations for the 2016 financial year was R12,348 million compared to net cash inflows of R12,643 million for the 2015 financial year, a decrease in inflows of R295 million, or 2%. The marginal reduction in net cash inflows was driven primarily by an increase in tax paid when compared to the 2015 financial year, which was largely offset by the 5% increase in Results from Operations during the 2016 financial year.

#### *Cash flow from investing activities*

Net cash outflow from investing activities from continuing operations for the 2017 financial year was R3,498 million compared to net cash outflows of R9,235 million for the 2016 financial year, a decrease in outflows of R5,737 million, or 62%. The decrease in outflows was due primarily to increased inflows from proceeds of the disposals of OMAM and Kotak during the 2017 financial year, partly offset by increased outflows related to acquisitions of investment properties.

Net cash outflow from investing activities from continuing operations for the 2016 financial year was R9,235 million compared to net cash outflows of R31,376 million for the 2015 financial year, a decrease in outflows of R22,141 million, or 71%. This decrease was due primarily to a significant reduction in outflows related to the acquisition of investment assets, and a reduction in the acquisitions of investment properties, property, plant and equipment and subsidiaries in the 2016 financial year compared to the 2015 financial year in which the acquisition of UAP and CGIC took place.

### *Cash flow from financing activities*

Net cash outflow from financing activities from continuing operations for the 2017 financial year was R20,945 million compared to net cash outflows of R11,801 million for the 2016 financial year, an increase in outflows of R9,144 million, or 77%. The increase was due to the repurchase of Old Mutual plc subordinated debt securities (Tier 2 subordinated 2025 and 2021 securities) and the repayment of perpetual preferred callable securities in the 2017 financial year, offset by reduced dividends paid to shareholders when compared to the 2016 financial year.

Net cash outflow from financing activities from continuing operations for the 2016 financial year was R11,801 million compared to net cash inflows of R2,293 million for the 2015 financial year, a net increase in outflows of R14,094 million. This was due primarily to lower inflows from the issue of subordinated and other debt instruments off a higher base in the 2015 financial year. Net inflows in the 2015 financial year were further enhanced by the sale of shares held by former B-BBEE Trusts when they were closed out.

### **12.2 Indebtedness**

As at 31 December 2017, the Old Mutual plc Group's outstanding loans and borrowings were R18,866 million. For more details, see Note G7 in the Historical Financial Information of the Old Mutual plc Group included in Annexe 1C to this Pre-listing Statement.

### **12.3 Contractual commitments**

The following table sets out the Old Mutual plc Group's contractual and contingent commitments as at 31 December 2017.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2017:

<b>Financial liabilities</b>	<b>Contractual cash flows</b>	<b>Less than one year</b>	<b>Two to five years</b>	<b>Thereafter</b>
Capital Commitments	1,741	1,741	–	–
Funding Commitments	7,792	1,078	5,641	1,073
Commitments to extend credit to customers	1,126	1,063	63	–
Operating lease agreements	537	159	342	36

### **12.4 Off-balance sheet arrangements and contingent liabilities**

At 31 December 2017, the Old Mutual plc Group had no material off-balance sheet arrangements, including contingent liabilities, except as disclosed in the table below:

	<b>As at 31 December 2017</b>
	<i>(R million)</i>
Guarantees and assets pledged as collateral security	182
Other contingent liabilities	275

### **12.5 Guarantees and assets pledged as collateral security**

The Group has provided certain guarantees for specific customer 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.

### **12.6 Other contingent liabilities**

The Group's other contingent liabilities include tax as well as litigation relating to Nedbank. For more information on other contingent liabilities, please see Note J4 to the Report of Historical Financial Information of the Old Mutual plc Group included in Annexe 1C to this Pre-listing Statement.

### **12.7 Quantitative and qualitative disclosures about market risk**

The major risk exposures of the Group include market, credit, counterparty, currency, liquidity, trading and banking book interest risk. For more detail, please see Note F3 to the Report on Historical Financial Information of the Old Mutual plc Group included in Annexe 1C to this Pre-listing Statement.



## PART XII

### CAPITALISATION AND INDEBTEDNESS

The following tables set forth the capitalisation of the Old Mutual plc Group as at 31 December 2017 and indebtedness of the Old Mutual plc Group as at 28 February 2018, extracted, without material adjustment, from the unaudited accounting records of the Old Mutual plc Group and prepared under IFRS using policies which are consistent with those used in preparing the Historical Financial Information of the Old Mutual plc Group.

These tables should be read in conjunction with Part XI – Operating and Financial Review, Annexe 5C – *Pro forma* Financial Information of the Group and Annexe 1C – Report of Historical Financial Information of the Old Mutual plc Group attached to this Pre-listing Statement.

	<b>As at 28 February 2018</b>
	<i>(R million)</i>
<b>Third-party indebtedness</b>	
Secured	212
Unguaranteed/Unsecured	18,407
<b>Total</b>	<b>18,619</b>

	<b>As at 31 December 2017</b>
	<i>(R million)</i>
<b>Invested capital</b>	
Ordinary Shares	136,678
Non-controlling interests	46,767
<b>Total capitalisation</b>	<b>183,445</b>

There has been no material change to the capitalisation of the Old Mutual plc Group since 31 December 2017.

Refer to Annexe 5C – *Pro Forma* Financial Information of the Group which has been prepared to illustrate the effect of the Managed Separation on the statement of financial position of the Group.

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## PART XIII

### CAPITAL POSITION AND LIQUIDITY RISK MANAGEMENT FRAMEWORK

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The Group targets a strong regulatory capital and liquidity position through disciplined management of capital and liquidity resources in line with its risk appetite and business strategy. The regulatory capital and liquidity positions of the Group and its subsidiaries are guided via the following principles:

- Capital and liquidity is held where the risks lie and is based on the risk appetite of the individual entities, thereby taking into account the requirements of regulators, customers and directors throughout the Group;
- The regulatory capital and liquidity positions of individual entities are established to enable them to continue to operate in plausible, but severe stresses, taking account of local regulations, peer analysis and other stakeholder expectations;
- Stress testing of the regulatory capital and liquidity positions of individual entities is used to identify the potential capital and liquidity risk exposures, the resources available to address the risks and the range of appropriate management actions that could be taken to protect the entity in a stress event;
- Surplus capital identified as a result of the stress testing activity is passed from local entities to the Group subject to fungibility and other local constraints;
- Capital and liquidity over and above that held by the individual entities is held centrally based on the Group's risk appetite. This provides financial flexibility and takes into account the Group's brand promise to customers and other stakeholders; and
- Any potential central support required by entities will be assessed at the time taking into account the reasons for the support, the management actions that have been taken at the entity, the Group's shareholding in that entity, the ability for that capital or liquidity to be returned to the centre in due course, and other commercial considerations.

#### 1. Capital Position

##### 1.1 SAM Framework

SAM is a risk-based prudential supervisory framework which seeks to improve policyholder protection and contribute to financial stability through aligning insurers' regulatory capital requirements with the underlying risks. It also strengthens the regulatory requirements in respect of governance, risk management and internal controls for insurers and aligns with international standards.

The FSB is in the final stages of implementing the SAM framework, the details of which remain subject to change but, once finalised, will be provided for through insurance prudential standards, which will form subordinate legislation under the Insurance Act. SAM replaces the existing regulatory regime and is expected to be effective from 1 July 2018.

Under SAM, each South African insurance company needs to prepare a regulatory return in line with the new prudential standards. However, SAM also introduces a Group solvency calculation which looks at all entities in the insurance company's group (regulated and unregulated) in order to provide an overall solvency assessment.

Furthermore, in terms of SAM, each insurance company must maintain own funds to cover as a minimum their capital requirements. In practice, companies will hold a buffer above this minimum requirement. Own funds consists primarily of the regulatory value of assets in excess of liabilities plus the value of any subordinated liabilities. The solvency capital requirements ("SCR") is the primary solvency 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, as defined under SAM.

The Group uses 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. The Standard Formula allows for, subject to Regulatory approval, certain methodology elections to be made. The estimated SAM Solvency positions are presented on the basis of the Group's preferred methodology. The Group's preferred methodology will, once the SAM framework is implemented, be formally presented for Regulatory approval.

For the SAM group return, each regulated entity is included under its own sectoral rules (for example banks and lending entities are included using the Basel III standard approach).

SAM results shown are based on our interpretation of draft prudential standards as at the date of reporting, which may change. Certain methodologies used will be subject to regulatory approval.

## 1.2 **Company and OMLACSA Target Buffers**

The Company brand promise means that it has a conservative appetite for solvency risk, and targets a strong balance sheet, with appropriate capitalisation both for its Major Subsidiary, OMLACSA, and the Group as a whole. The Company has set target SAM solvency ranges for both OMLACSA and the Group by considering a combination of technical analyses under a range of severe domestic and international scenarios<sup>1</sup>, peer benchmarking as well as regulatory and other relevant expectations.

The Group consists of a range of regulated financial services operations including Life and Savings, Property and Casualty, Asset Management, Banking and Lending entities which all operate with different target levels of capital consistent with their own regulatory requirements and market expectations. Hence, the Group target is effectively an average of appropriate targets for the different individual entities, weighted according to their respective capital requirements.

For the Group, an optimal target range of between 155% and 175% was established. This target has been set based on our interpretation of draft prudential standards as at the date of reporting, which may change. Certain methodologies used will be subject to regulatory approval. The largest influences on the Group target are OMLACSA and Nedbank. The Banking and Lending businesses as well as the Property and Casualty insurers tend to operate at lower cover levels than the Life and Savings businesses, the majority of which is in OMLACSA's Insurance business. The Group optimal target range of 155% to 175% reflects the long-term position following the Nedbank Unbundling.

The Company will periodically review the Group optimal target range to reflect changes in the basis of measurement, including changes to the Group construct, the risk profile of the Group and the regulatory regime. If the solvency position moves outside this optimal target range then the Group will consider actions required to restore solvency to within that range within an appropriate time period. The pace and level of actions needed will depend on factors such as the extent to which the Group is outside the range and the reasons for falling outside the range (e.g. whether the Board believes it is a temporary or permanent phenomena and whether the issue is systemic to the industry or idiosyncratic to the Group).

For OMLACSA, an optimal target range has been established for the Insurance business of between 180% and 210% for SCR. This range excludes OMLACSA's holding in strategic assets, as the Company does not expect to rely on its strategic assets to support solvency. Strategic assets include the holding in Nedbank that will be retained after the Nedbank Unbundling. This converts to a target solvency of greater than 200% for regulatory solvency (which includes the strategic asset holdings).

In addition to all the considerations the Group will apply when it deviates from its optimal target range, for OMLACSA it will also consider the illiquid nature of our strategic assets and the impact these have on the published ratio.

As at 31 December 2017 there was R5.9 billion of outstanding inter-company indebtedness between OMLACSA, Old Mutual Group Holdings and its subsidiary Old Mutual Portfolio Holdings. During 2017 R3.8 billion of inter-company indebtedness was repaid to OMLACSA, funded through greater cash retention. The settlement of the remaining inter-company indebtedness is expected to be largely settled via the transfer of Nedbank shares to OMLACSA up to the desired retained shareholding of 19.9%. Any remaining indebtedness will be settled in cash.

For all other subsidiaries, target solvency ratios have been set that would allow them to withstand a severe stress in line with the Group's principles above. These ratios will take into account local regulations, peer analysis and other stakeholder expectations. In addition to this, the Group holds capital centrally to target a regulatory capital position within its optimal target range, for financial flexibility and allowing it to withstand an extreme scenario which could involve providing support to subsidiaries.

The treatment of the surplus capital of Residual plc is dependent on the outcome of the proposed First Scheme. Currently the surplus Own Funds (in excess of SCR) is assumed not to be fungible and therefore is excluded from the SAM solvency ratio.

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<sup>1</sup> Scenarios include a combination of break-down in local economic activity/productivity combined with recessionary global macro-economic conditions and the outbreak of a lethal epidemic, which leads to the rapid spread of an infectious disease in sub-Saharan Africa.

The estimated SAM solvency position for both OMLACSA and the Group as at 31 December 2017 together with the relevant targets is shown in the following table:

	Estimated ratio at December 2017	Optimal target range
<b>OMLACSA</b>		
Insurance business solvency ratio <sup>(1)</sup>	196%	180% to 210%
Solo solvency ratio (including strategic assets)	243%	200% +
<b>GROUP</b>		
Allowing for Nedbank unbundled to a 19.9% holding in the issued share capital in its shareholder funds <sup>(2), (3)</sup>	167%	155% to 175%

**Notes:**

1. The Insurance business forms part of the line of business disclosed as Life and Savings elsewhere in this document.
2. Prior to the Nedbank unbundling the Group has a solvency ratio of 162%, reflecting that the banking and lending businesses tends to operate on a lower cover ratio than the life insurance businesses.
3. The capital position can change materially if any of these transactions or fungibility restrictions change. In particular, it has been assumed that all surpluses in Residual plc operations are considered non-fungible under the SAM regime given uncertainty in the outcome of the First Scheme. To the extent that some of the surplus is deemed fungible, then this will contribute positively to the overall Group ratio.

The material South African insurance entities are aggregated using the accounting consolidation approach which applies the SAM Standard Formula, where capital requirements are calculated assuming a 1-in-200 year event over a one-year timeline, to the consolidated balance sheet of these entities.

The remainder of the entities are aggregated using the deduction and aggregation approach which sums the solvency position for each entity after elimination of inter-company positions, with the basis of inclusion depending on the nature of the entity:

- Other insurance businesses are included using the SAM Standard Formula.
- Banks and other financial entities are included on a Basel III basis.
- Other unregulated entities are included at their IFRS NAV with a notional capital requirement based on the risk of holding equities.

The following table explains the key components of the estimated Group solvency position at 31 December 2017:

<b>Standalone</b>						
	OMLACSA <sup>(1),(2)</sup>	Nedbank <sup>(3)</sup>	Residual plc <sup>(4)</sup>	Other <sup>(5)</sup>	Consolidation adjustments <sup>(6)</sup>	Group
Own Funds						
(Rmillion)	52,346	17,038	2,753	31,449	(5,273)	98,312
SCR (Rmillion)	26,654	11,483	2,753	21,964	(4,003)	58,850
Ratio (%)	196	148	100	143		167

**Notes:**

1. The standard formula under SAM is used for OMLACSA.
2. The OMLACSA position excludes OMLACSA's holding in strategic assets, to reduce double counting between entities shown.
3. Nedbank is included on a Basel III basis in Group solvency. This is different to the treatment in the OMLACSA calculation where the holding is included in the Own Funds at the market value of the shares, with an equity stress applied to calculate the SCR.
4. To the extent that some of the surplus is deemed fungible after the outcome of the proposed First Scheme, it will contribute positively to the overall Group surplus.
5. This category includes the balance of the Group, including holding companies, Old Mutual Insure, asset managers, Rest of Africa, Latin America and Asia and smaller lending businesses.
6. Includes the (i) elimination of double counting between entities e.g. the investment of a holding company in a subsidiary, (ii) fungibility restrictions where the own funds for certain entities are restricted to the solvency capital requirement of that entity (calculated on a SAM basis). The most material non-fungible surplus relates to Zimbabwe and (iii) diversification of risks within entities subject to accounting consolidation, most importantly between OMLACSA and Old Mutual Insure.

### 1.3 Group SAM Risk Profile

The following table illustrates the impact of the Nedbank Unbundling on the SAM risk profile for the Group as at 31 December 2017:

	% split	
	Pre-Nedbank unbundling	Post-Nedbank unbundling
Business risk <sup>(1)</sup>	21	27
Market risk <sup>(2)</sup>	24	28
Life liability risk <sup>(3)</sup>	4	6
Short term liability risk <sup>(4)</sup>	4	5
Credit risk from insurance operations <sup>(5)</sup>	5	6
Credit risk from lending operations <sup>(6)</sup>	33	20
Operational risk <sup>(7)</sup>	9	8
<b>Total GROUP SAM SCR</b>	<b>100</b>	<b>100</b>

**Notes:**

1. Business risk includes lapse and expense risk.
2. Market risk includes equity, interest rate, currency and concentration risks within the insurance operations as well as the Basel III market risk from the banking and lending operations.
3. Life liability risk includes underwriting risk from life operations including mortality, morbidity and life catastrophe risk.
4. Short term liability risk includes underwriting risk from the non-life operations including premium and reserving risk and natural and man-made catastrophe risk.
5. Credit risk from insurance operations include spread risk and counterparty default risk from the life operations.
6. Credit risk from lending operations is as calculated by the Basel III framework.
7. Operational risk includes contribution from both the insurance operations as calculated by SAM and the lending operations as calculated by Basel III.

As shown above, the Nedbank Unbundling has a significant impact on the Group Risk Profile with a substantial reduction in credit risk from lending operations resulting in other risks becoming a larger proportion of the overall risk.

### 1.4 Sensitivity of the SAM Capital Position

The following table shows the sensitivity of the estimated SAM solvency ratio at 31 December 2017 to various individual stresses:

	OMLACSA <sup>(1)</sup>	Group
<b>Changes in SAM solvency ratio during a stress scenario</b>		
Base position	243%	167%
Equities fall 50%	221%	157%
Yield curve shifts down 50%	248%	166%
Yield curve shifts up 50%	235%	165%
Higher lapses (70% Corporate & 40% Retail) <sup>(2)</sup>	286%	187%

**Notes:**

1. The OMLACSA ratio shown is the solo solvency ratio including strategic assets.
2. Under the mass lapse stress the number of policies in-force decreases and as a result the Own Funds and SCR associated with these policies is eliminated. However, the shareholder assets that support these policies remain largely unchanged resulting in an increase to the cover ratio.

The sensitivity of the solvency ratio shows the resilience of capital positions of the Group and OMLACSA in that under severe scenarios the Group and OMLACSA are still able to comfortably maintain solvency levels above 100%.

## 1.5 Reconciliation from IFRS NAV to SAM Group Own Funds

The following table shows a reconciliation of the Equity attributable to the equity holders of the parent per the statement of financial position to the SAM Group Own Funds:

	2017
	(R billion)
Emerging Markets Equity attributable to the equity holders of the parent <sup>(1)</sup>	46.4
Nedbank equity attributable to the equity holders of the parent <sup>(2)</sup>	16.4
<b>Closing Adjusted Equity<sup>(3)</sup></b>	<b>62.8</b>
Scoping adjustment <sup>(4)</sup>	(2.3)
Treasury shares in policyholder funds <sup>(5)</sup>	6.9
Residual plc assets <sup>(6)</sup>	2.8
Goodwill and other intangibles <sup>(7)</sup>	(3.8)
Technical provisions (net of deferred tax) <sup>(8)</sup>	33.9
Subordinated debt <sup>(9)</sup>	8.7
Fungibility and eligibility adjustment <sup>(10)</sup>	(8.7)
Foreseeable dividend	(1.9)
<b>SAM Group Own Funds</b>	<b>98.3</b>

### Notes:

1. Reflects the Equity attributable to the equity holders of the parent for Emerging Markets as disclosed in the Annexe 1C – Report of Historical Financial Information of the Old Mutual plc Group.
2. Reflects the Equity attributable to the equity holders of the parent for Nedbank as disclosed in the Annexe 1C – Report of Historical Financial Information of the Old Mutual plc Group adjusted to reflect the anticipated shareholding post the Nedbank Unbundling.
3. Reflects the closing adjusted equity, consistent with that utilised in the RoNAV disclosure.
4. Deduction for entities included in IFRS reporting but not included in scope for SAM Group reporting.
5. These are Old Mutual plc Shares and Nedbank shares backing policyholder liabilities that are eliminated under IFRS but not under SAM.
6. Reflects SAM own funds after adjusting for the assumed fungibility restriction, which sets the Own Funds for Residual plc equal to its SCR. Note this restriction is contingent on the outcome of the proposed First Scheme.
7. Goodwill and other intangibles are assets that are recognised under IFRS, however, they are deemed inadmissible for SAM purposes. The figure shown in the above reconciliation only includes the goodwill and other intangible assets for those entities which are in the scope of SAM Group reporting.
8. SAM uses a best estimate liability basis to measure insurance liabilities. This effectively recognises a future earnings component within the liabilities and results in an increase in capital requirement. This is partially offset by the recognition of the risk margin which replaces prudential margins allowed for in IFRS insurance liabilities.
9. OMLACSA, Old Mutual Insure and Nedbank subordinated debt comprises Tier 2 debt instruments counting towards the SAM capital position.
10. Restricted surplus includes excess Own Funds mainly from Zimbabwe. Further adjustments are made for eligibility requirements and the removal of inadmissible items.

## 2. Liquidity Risk Management Framework

Liquidity risk is the ability to meet obligations as they fall due at a reasonable cost. For the Group, the underlying principles outlined above apply and sufficient liquidity is maintained within the operating entities to support their own liquidity needs in line with local regulatory requirements. Liquidity is also held centrally to meet the liquidity demands as a listed holding company. Nedbank has its own capital and liquidity risk management framework which meets the requirements of the SARB regulation which in turn is based on Basel III. The Group has no commitment to provide liquidity support to Nedbank.

The principal subsidiaries are responsible for managing their own liquidity needs in line with the Group financial management framework. This allows the subsidiaries to withstand plausible, but severe stresses, 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.

For the principal subsidiaries, stress testing is performed using the same domestic and international scenarios used for the capital framework. The liquidity position is monitored over a forecast period of 24 months. The Group's central liquidity risk appetite is to maintain a liquidity coverage ratio (available liquidity to required liquidity) of 100%, including in downside scenarios over the forecast period. The Group's latest liquidity testing confirms this position.

The embedding of the liquidity framework is most mature in South Africa and work is ongoing to embed the framework in the other territories.

The primary sources of liquidity risk are:

- Within the insurance businesses, the relatively illiquid nature of the insurance liabilities can provide a potential source of additional investment return by enabling the Group to invest in higher yielding but less liquid assets. The largest exposure of this nature relates to the annuity portfolios in OMLACSA where a combination of credit assets and swap instruments is used. The swap instruments give rise to collateral calls in a rising interest rate environment.
- Within the Banking and Lending businesses (other than Nedbank), liquidity and funding risks arise due to the potential mis-match between the time period for the loans to customers and the sources of funding. Old Mutual Finance does not take retail deposits and its funding is provided by lenders and it is therefore subject to the covenants within the underlying funding agreements. CABS is a regulated building society in Zimbabwe and is subject to local banking regulation. Faulu is a regulated deposit taking micro lender and is subject to local regulation. Both CABS and FAULU also use external lenders and hence will be subject to the covenants of the associated funding agreements.
- Within the Group's central treasury function, 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 the Group's revolving credit facility, management processes to monitor lending covenants and management actions to proactively remedy any deterioration in the covenant status and free up additional liquidity in case of a deteriorating external environment. In the event of a liquidity risk occurring the actual actions to be taken will be tailored to the specific circumstances.

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## PART XIV

### DIVIDENDS AND DIVIDEND POLICY

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Maintaining a dividend within the target cover range will take due account of capital adequacy requirements and cash generation with particular reference to the following factors:

- the liquidity of the Group's earnings as measured by Free Surplus;
- the optimal regulatory solvency range of the Group and approval of the Head of Actuarial Function;
- capital required to implement its business strategy for enhanced returns;
- the sufficiency of liquidity under stress scenarios as per the Group's liquidity risk appetite within the financial management framework (See "Part XIII – Capital Position and Liquidity Risk Management Framework"); and
- the quality and quantity of capital under normal and stress scenarios as per the Group's Financial Management Framework and evolving regulatory regimes.

The Directors will target full-year ordinary dividends that are covered by Adjusted Headline Earnings between 1.75 and 2.25 times. The Directors will target an interim dividend at a level of 40% of the current year interim Adjusted Headline Earnings. Any dividends will take into account the Group's underlying local cash generation, fungibility of earnings, targeted liquidity and solvency levels, business strategy needs and market conditions at the time. Given the profile of earnings and above considerations, it is anticipated that the dividend cover may vary between reporting periods and dividends will be set using the full flexibility of the range.

The Company will declare dividends in Rand. Conversion rates for non-South African shareholders will be communicated before dividends are paid.

The Company may revise its dividend policy from time to time. In particular the Company may revise its policy in anticipation of the implementation of IFRS 17, due in 2021, based on the impact of this new standard on its financial results, or if the final SAM rules are materially different to the Group's current expectations.

The Company may, from time to time, distribute additional returns to shareholders outside of the ordinary dividend cover. This may occur if (for example) the Directors determine that there is excess permanent capital in the business. The Directors will make such a determination after considering the factors set out above for maintaining an ordinary dividend.

As at the Last Practicable Date, the Company has not paid any dividends since incorporation in May 2017. Refer to the Historical Financial Information of the Old Mutual plc Group set out in Annexe 1 to this Pre-listing Statement for information on the dividends paid by Old Mutual plc for the financial years ended 31 December 2017, 2016 and 2015.

All dividends shall be held by the Company in trust for the benefit of the Shareholders, until lawfully claimed by the Shareholders, subject to the provisions of the Company MOI and the laws of prescription from time to time, or until the Company is wound up. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Board or Shareholders at the time of declaration, subject to the JSE Listings Requirements. There are no current arrangements under which future dividends are waived or agreed to be waived. Relevant extracts of the Company MOI and the memorandum of incorporation of the Major Subsidiary relating to dividends are set out in Annexe 14 to this Pre-listing Statement.



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## PART XV

### INCORPORATION AND SHARE CAPITAL

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Unless expressly provided or indicated otherwise by the context, this section of this Pre-listing Statement has been prepared based on the Group as it would have existed if the Second Scheme Effective Time had occurred on the Last Practicable Date.

#### 1. Incorporation

The Company was registered and incorporated in South Africa on 29 May 2017 under the Companies Act as a private company and was converted to a public company on 6 March 2018 with registration number: 2017/235138/06. The business of the Group and its principal activities are Life and Savings (including retirement savings), Asset Management (including unit trusts and portfolio management and stockbroking services), Banking and Lending and Property and Casualty. The registered address and Head Office of the Company is Mutualpark, Jan Smuts Drive, Pinelands, Cape Town, South Africa and its telephone number is +27 21 509 2765.

#### 2. Financial Year-End

The most recent financial year-end of the Company was 31 January 2018 for the 2017 financial year. However, in order to align the financial year of the Company with that of the remainder of the Group, the financial year-end of the Company was changed to 31 December. As such, the 2018 financial year will comprise 11 months and end on 31 December 2018. This will have no impact on the consolidated financial statements of the Group, which will be presented for the year ended 31 December 2018.

#### 3. Share Capital and Stated Capital

Upon incorporation the number of authorised and issued Ordinary Shares was 1,000.

##### 3.1 Share capital on the Last Practicable Date

The number of authorised and issued Ordinary Shares on the Last Practicable Date (without taking into account the Managed Separation) is as follows:

	<i>(Pro forma)</i>
<b>Authorised Ordinary Shares</b>	
10,000,000,000 Ordinary Shares <sup>(1)</sup>	10,000,000,000
<b>Issued Ordinary Shares</b>	
1 Ordinary Share	1
Stated capital	1
<b>Total</b>	<b>1</b>

**Note:**

1. On 6 March 2018, the Company's authorised share capital was increased from 1,000 to 10,000,000,000.

##### 3.2 Share capital on the Admission Date

The number of authorised and issued Ordinary Shares on the Admission Date is expected to be as follows:

	<i>(Pro forma)</i>
<b>Authorised Ordinary Shares</b>	
10,000,000,000 Ordinary Shares	10,000,000,000
<b>Issued Ordinary Shares</b>	
4,932,779,577 Ordinary Shares	4,932,779,577

It is expected that the aggregate value of the stated capital in relation to the Ordinary Shares in issue at the Demerger Effective Time will equal the market capitalisation of Old Mutual plc, less the value of Quilter plc at such time.

None of the Ordinary Shares will be held in treasury on the Admission Date. There have been no consolidations or subdivisions of the securities of the Company since incorporation.

The authorised Ordinary Shares of the Company will not change as a result of the Managed Separation.

Under the terms of the Company MOI, the rights of the holders of Ordinary Shares may be varied only by way of a special resolution of such Shareholders.

Each issued Ordinary Share in the capital of the Company is of no par value and shall rank *pari passu* in respect of all rights with every other issued Ordinary Share.

The Company has no founders or deferred shares.

#### **4. Description of Securities**

Set out in Annexe 14 to this Pre-listing Statement are extracts of the relevant provisions of the Company MOI, regarding:

- preferential conversion and/or exchange rights of the Ordinary Shares;
- consent necessary for the variation of rights attaching to the Ordinary Shares;
- voting rights of the Ordinary Shares;
- rights to dividends, profits or capital or any other rights of the Ordinary Shares; and
- control over the issue or disposal of the authorised but unissued Ordinary Shares.

#### **5. Options or Preferential Rights in Respect of Shares**

Save as provided for in the Old Mutual plc MSIP, the Emerging Markets MSIP and the Company Share Plans, the Company is not party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any securities in the Company.

#### **6. Options or Preferential Rights in Respect of Subsidiaries of the Company**

Neither the Company's Major Subsidiary nor another subsidiary are party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any securities in the Major Subsidiary or any other subsidiary where the subscription is material to the Company.

#### **7. Commissions, Discounts, Brokerages or Special Terms**

No commissions, discounts, brokerages or other special terms have been granted during the 3 years immediately prior to the Last Practicable Date in connection with the issue or sale of any securities, stock or debentures in the capital of the Company, where this has not been disclosed in the Historical Financial Information of the Company.

#### **8. Authorisations**

The Shareholder passed the following resolutions on 6 March 2018:

- converting the Company to a public company from a private company;
- approving the non-executive Directors' remuneration;
- authorising, by way of a general authority contemplated in paragraph 5.72 of the JSE Listings Requirements read with section 48 of the Companies Act, the repurchase by the Company of Ordinary Shares issued by the Company, subject to a maximum of 5% of the issued Ordinary Shares of the Company and compliance with the applicable provisions of the JSE Listings Requirements and the Companies Act;
- authorising the Company to provide financial assistance, as contemplated by sections 44 and/or 45 of the Companies Act, generally;
- to the extent required, authorising the Company to provide financial assistance, as contemplated by sections 44 and/or 45 of the Companies Act in relation to the Managed Separation;
- authorising the Directors generally to issue Ordinary Shares to persons contemplated in section 41(1)(a) of the Companies Act; and
- authorising the Directors to issue Ordinary Shares in relation to the Managed Separation in terms of sections 41(3) and 41(1)(a) of the Companies Act.

The Shareholders approved the Company Share Plans and issue of Ordinary Shares in terms of such schemes in accordance with schedule 14 to the JSE Listings Requirements by written resolution on 13 March 2018.

The Shareholders approved and adopted the Company MOI by written resolution on 5 April 2018.

The Board approved the Admission of the Company as required, in particular, by the JSE Listings Requirements at a meeting of the board held on 13 March 2018.

## 9. Securities Issued or to be Issued Other Than for Cash

No shares have been, within the 3 years preceding the Last Practicable Date, issued, or, save in relation to the Managed Separation, agreed to be issued, by the Company or any of its subsidiaries to any person, other than for cash.

## 10. Alteration of Share Capital

There has been no alteration to the Company's share capital in the 3 years preceding the Last Practicable Date, other than the increase of the authorised and issued Ordinary Share capital of the Company pursuant to the Managed Separation, as set out under "Share capital and stated capital" above.

## 11. Previous Offers and Issues

There have been no issues or offers for subscription or sale of any Ordinary Shares or any securities by:

- the Company;
- the Company's Major Subsidiary, save in relation to OMLACSA's Unsecured Subordinated Callable Note Programme, as set out in Annexe 13 to this Pre-listing Statement; and/or
- by any subsidiary where such issues or offers were material to the Company,

during the 3 years preceding the Last Practicable Date.

There have been no repurchases of any Ordinary Shares or any securities by:

- the Company;
- the Company's Major Subsidiary, and/or
- by any subsidiary where such repurchases were material to the Company,

during the 3 years preceding the Last Practicable Date.

## 12. Shareholding

### 12.1 Major and controlling Shareholders

It is envisaged that each Old Mutual plc Shareholder on the Second Scheme Record Time (as defined in Annexe 18 to this Pre-listing Statement) shall become a Shareholder upon the Second Scheme Effective Time. Accordingly, at the Second Scheme Effective Time, the major and controlling Shareholders in the Company are expected to be the major and controlling shareholders of Old Mutual plc Shares as at the Second Scheme Record Time.

As at the Last Practicable Date, (without taking into account the Managed Separation) Carin Ogden (a director of CoSec Consulting Services, the service provider appointed by Old Mutual plc to provide and customise the Company) was the only person who, directly or indirectly, could exercise or does exercise control over the Company.

Other than pursuant to the Managed Separation, there have been no changes to the controlling shareholders of the Company and its Major Subsidiary during the 5 years prior to the Last Practicable Date.

After implementation of the Managed Separation, it is expected that no single Shareholder, or group of Shareholders acting in concert, will control the Company.

As at 6 April 2018, the major shareholders (ie a shareholder, other than a Director, that, directly or indirectly, is beneficially interested in 5% or more of a class of securities) of Old Mutual plc are, and, if they retain their interests in Old Mutual plc at the Second Scheme Effective Time, the major Shareholders of the Company are expected to be:

Shareholder name	Number of Ordinary Shares held at the Last Practicable Date <sup>(1)</sup>	% of Ordinary Shares held at the Last Practicable Date <sup>(1)</sup>	Number of Ordinary Shares held at the Second Scheme Effective Time	% of Ordinary Shares held at the Second Scheme Effective Time
Carin Ogden <sup>(2)</sup>	1	100	–	–
Allan Gray Proprietary Limited	–	–	468,162,301	9.48%
Public Investment Corporation (SOC) Limited	–	–	453,505,018	9.19%
BlackRock, Inc.	–	–	325,903,419	6.60%
<b>Total</b>	<b>1</b>	<b>100</b>	<b>1,247,570,738</b>	<b>25.28%</b>

#### Notes:

1. Without taking into account the Managed Separation.

2. A director of CoSec Consulting Services, the service provider appointed by Old Mutual plc to provide and customise the Company.

Save as disclosed above, the Directors are not aware of any holdings of voting rights which will represent 5% or more of the total voting rights in respect of the issued share capital of the Company at (i) the Last Practicable Date (without taking into account the Managed Separation), and (ii) the Second Scheme Effective Time. The major Shareholders do not have and will not have different voting rights attached to the Ordinary Shares they hold to those held by other Shareholders.

The Directors have no knowledge of any arrangements the operation of which may at a subsequent date result in a Change of Control of the Company.

### 13. Admissions

#### 13.1 Admissions

Application has been made to:

- the JSE Limited for the Admission of all of the issued Ordinary Shares to be listed and trading on the "Life Insurance" sector of the JSE under the abbreviated name "OMUTUAL" and share code "OMU" as a primary listing;
- the FCA for all the Ordinary Shares in the capital of the Company to be admitted to the standard listing segment of the UK Official List and to the LSE for such Ordinary Shares to be admitted to trading on the LSE's main market for listed securities under the symbol "OMU";
- the Malawi Stock Exchange Limited (as defined in Annexe 18 to this Pre-listing Statement) for the Admission of all of the issued Ordinary Shares to be listed and trading on the Malawi Stock Exchange under the abbreviated name "OMUTUAL" and share code "OMU" as a secondary listing;
- the Namibian Stock Exchange Limited (as defined in Annexe 18 to this Pre-listing Statement) for the Admission of all of the issued Ordinary Shares to be listed and trading on the Namibian Stock Exchange under the abbreviated name "OMUTUAL" and share code "OMU" as a secondary listing; and
- the Zimbabwe Stock Exchange Limited (as defined in Annexe 18 to this Pre-listing Statement) for the Admission of all of the issued Ordinary Shares to be listed and trading on the Zimbabwe Stock Exchange on the "Life Insurance" sector of the Zimbabwe Stock Exchange under the abbreviated name "OMUTUAL" and share code "OMU" as a secondary listing.

The ISIN for the Ordinary Shares and a depositary interest held in CREST representing an entitlement to 1 underlying Old Mutual Limited Share ("Company Dis") is ZAE000255360.

The Admission on the JSE and the UK Admission are not conditional on the Admission on the Malawi Stock Exchange, the Namibian Stock Exchange and the Zimbabwe Stock Exchange. However, the Admissions to the Malawi Stock Exchange, the Namibian Stock Exchange and the Zimbabwe Stock Exchange are conditional on the Admission to the JSE and the UK Admission, as the case may be. Accordingly, if for any reason the Admission to the Malawi Stock Exchange, the Namibian Stock Exchange or the Zimbabwe Stock Exchange does not become effective, the Admission to the JSE and the UK Admission will still proceed.

If the Managed Separation, except for the Nedbank Unbundling, becomes effective, it is expected that the Admissions will become effective and that unconditional dealings in the Ordinary Shares will commence on 26 June 2018 in respect of the Admissions to the JSE, the UK Admission and the Admissions to the Malawi Stock Exchange, the Namibian Stock Exchange and the Zimbabwe Stock Exchange. This date may be deferred if it is necessary to adjourn the General Meeting required to approve the Resolutions or if there is any delay in obtaining the Court's sanction of the Second Scheme.

None of the Ordinary Shares will be, or is required to be, registered under the Securities Act.

None of the Ordinary Shares have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of this Pre-listing Statement. Any representation to the contrary is a criminal offence in the United States.

No Ordinary Shares have been marketed to, nor are any available for purchase, in whole or in part, by the public in any jurisdiction in connection with the Admissions. This Pre-listing Statement does not constitute an offer or invitation to any person to subscribe for or purchase any securities in the Company in any jurisdiction.

#### 14. Trading and Settlement

The way in which Old Mutual plc Shareholders will receive their Ordinary Shares (or beneficial entitlement to such Ordinary Shares) will depend on how they hold their Old Mutual plc Shares on the applicable Old Mutual plc Register (as defined in Annexe 18 to this Pre-listing Statement) as at the First Scheme and Demerger Record Time (as defined in Annexe 18 to this Pre-listing Statement), as summarised below. Further details are set out in "Part XII – Shareholder participation in the Proposals to finalise the Managed Separation and entitlement to receive the Quilter Shares and/or the Old Mutual Limited Shares" in the Scheme Circular.

It is the responsibility of Old Mutual plc Shareholders to satisfy themselves as to the full observance of applicable laws and regulatory requirements, including the obtaining of any governmental, exchange control or other consents that may be required in order for them, their nominee, custodian or trustee, as relevant, to receive and hold the Ordinary Shares as set out below.

<b>Manner in which Old Mutual plc Shares are held as at the Second Scheme Record Time</b>	<b>Manner in which Ordinary Shares (or the beneficial entitlement to Ordinary Shares) will be held on Admission</b>	<b>Form of confirmation</b>
<b>United Kingdom</b>		
On the Old Mutual plc UK Only Register in Uncertificated Form (as defined in Annexe 18 to this Pre-listing Statement) through CREST (as defined in Annexe 18 to this Pre-listing Statement)	A beneficial entitlement to Ordinary Shares through Company DIs credited to the same CREST account in which the Shareholder's Old Mutual plc Shares are currently held	The relevant CREST account will be credited with the applicable Company DIs as soon as possible after 8.00 a.m. on 26 June 2018 following the Admissions
On the Old Mutual plc UK Only Register in Certificated Form (as defined in Annexe 18 to this Pre-listing Statement)	On the UK Register (as defined in Annexe 18 to this Pre-listing Statement) in Certificated Form	Ordinary Share certificates will be despatched, at the Shareholder's risk, by 6 July 2018
<b>South Africa</b>		
On the Strate Nominee Register (as defined in Annexe 18 to this Pre-listing Statement) in Dematerialised or Uncertificated Form	A beneficial entitlement to Ordinary Shares that is recorded on the Strate Nominee Register in Dematerialised or Uncertificated Form and credited to the same Central Securities Depository Participant ("CSDP") or broker account in which the Old Mutual plc Shareholder's Old Mutual plc Shares are currently held	The relevant CSDP or broker account will be credited on or around 28 June 2018 following the Admissions
On the OMSAN Nominee Register (as defined in Annexe 18 to this Pre-listing Statement) of beneficial entitlements	A beneficial entitlement to the Ordinary Shares that is recorded on the OMSAN Nominee Register and the holder will remain an OMSAN Nominee Participant (as defined in Annexe 18 to this Pre-listing Statement)	The OMSAN Nominee Register will be credited with the beneficial entitlements to Ordinary Shares on or around 28 June 2018 following the Admissions
On the Old Mutual plc SA Register (as defined in Annexe 18 to this Pre-listing Statement) in Certificated Form	A beneficial entitlement to Ordinary Shares that is recorded on the OMSAN Nominee Register and the holder will become an OMSAN Nominee Participant	The OMSAN Nominee Register will be credited with the beneficial entitlements to Ordinary Shares on or around 28 June 2018 following the Admissions
<b>Namibia</b>		
On the OMNAN Nominee Register (as defined in Annexe 18 to this Pre-listing Statement) of beneficial entitlements	A beneficial entitlement to Ordinary Shares that is recorded on the OMNAN Nominee Register	The OMNAN Nominee Register will be credited with the beneficial entitlements to Ordinary Shares on or around 28 June 2018 following the Admissions
On the Old Mutual plc Namibian Register (as defined in Annexe 18 to this Pre-listing Statement) in Certificated Form	A beneficial entitlement to Ordinary Shares that is recorded on the OMNAN Nominee Register	The OMNAN Nominee Register will be credited with the beneficial entitlements to Ordinary Shares on or around 28 June 2018 following the Admissions

<b>Manner in which Old Mutual plc Shares are held as at the Second Scheme Record Time</b>	<b>Manner in which Ordinary Shares (or the beneficial entitlement to Ordinary Shares) will be held on Admission</b>	<b>Form of confirmation</b>
<b>Malawi</b>		
On the OMBN Nominee Register (as defined in Annexe 18 to this Pre-listing Statement) of beneficial entitlements	A beneficial entitlement to Ordinary Shares that is recorded on the OMBN Nominee Register and the holder will remain a participant in the Old Mutual (Blantyre) Nominees Limited (the "OMBN Nominee") facility	The OMBN Nominee Register will be credited with the beneficial entitlements to Ordinary Shares on or around 28 June 2018 following the Admissions
On the Old Mutual plc Malawian Register (as defined in Annexe 18 to this Pre-listing Statement) in Certificated Form	On the Malawian Register (as defined in Annexe 18 to this Pre-listing Statement) in Certificated Form	Ordinary Share certificates are expected to be despatched, at the Shareholder's risk, on 28 June 2018 and by no later than 6 July 2018
<b>Zimbabwe</b>		
On a Zimbabwean Nominee Register (as defined in Annexe 18 to this Pre-listing Statement) (maintained by either Corserve Nominees (Private) Limited (the "Zimbabwean Super Nominee") or Old Mutual Zimbabwe Nominees (Private) Limited (the "OMZN Nominee")) of beneficial entitlements	A beneficial entitlement that is recorded on the relevant Zimbabwe Nominee Register (maintained by the Zimbabwean Super Nominee or the OMZN Nominee)	The relevant Zimbabwe Nominee Register (maintained by the Zimbabwean Super Nominee or the OMZN Nominee) will be credited with the beneficial entitlements to Ordinary Shares on or around 28 June 2018 following the Admissions
On the Old Mutual plc Zimbabwean Register (as defined in Annexe 18 to this Pre-listing Statement) in Certificated Form	On the Zimbabwean Register (as defined in Annexe 18 to this Pre-listing Statement) in Certificated Form	Ordinary Share certificates are expected to be despatched, at the Shareholder's risk, on 28 June 2018 and by no later than 6 July 2018

#### **14.1 Trading and settlement of the Ordinary Shares on the JSE**

An application has been made to the JSE for a primary listing by way of introduction of all the issued Ordinary Shares on the main board of the JSE under the abbreviated name OMUTUAL and share code OMU. The ISIN for the Ordinary Shares is ZAE000255360.

It is expected that Admissions will become effective and that dealings in the Ordinary Shares on the JSE will commence at 9.00 a.m. (South African time) on 26 June 2018. This date may be deferred if it is necessary to adjourn the General Meeting required to approve the Resolutions or if there is any delay in obtaining the Court's sanction of the Second Scheme.

##### *Trading and settlement of Ordinary Shares by Old Mutual plc Shareholders who hold their Old Mutual plc Shares in Dematerialised or Uncertificated Form (that is, in the Strate System) on the JSE*

Strate has approved the admission of the Ordinary Shares to the Strate System (as defined in Annexe 18 to this Pre-listing Statement) with effect from Admissions. Accordingly, settlement of transactions in Ordinary Shares following Admissions may take place in Dematerialised or Uncertificated Form within the Strate System.

In order to facilitate trading on the JSE through the Strate System of the Ordinary Shares held by Old Mutual plc Shareholders whose Old Mutual plc Shares are registered on the Strate Nominee Register and held in Dematerialised or Uncertificated Form as at the Second Scheme Record Time, at the Second Scheme Effective Time such Ordinary Shares will be immobilised and registered in Certificated Form in the name of the Strate Nominee (as defined in Annexe 18 to this Pre-listing Statement) on the SA Register (as defined in Annexe 18 to this Pre-listing Statement). This will not, however, affect the operation of the Strate System. The beneficial holders of such Ordinary Shares will be Underlying Shareholders and have their beneficial entitlement to such Ordinary Shares recorded in accounts maintained by each CSDP, and transfer and settlement of such beneficial title will be effected through the Strate System and in accordance with the Strate System Rules.

Underlying Shareholders whose Ordinary Shares are held in Dematerialised or Uncertificated Form through the Strate System (or their nominee, if such Underlying Shareholders have put in place underlying nominee arrangements) are required to maintain an account with a CSDP or broker and should instruct their CSDP or broker

regarding voting and other matters in accordance with the mandate entered into between such beneficial holder and their CSDP or broker. If such Underlying Shareholders wish to attend a Shareholders' meeting in person, they will need to request a proxy or voting instruction form from their CSDP or broker or appointed nominee, who will then make arrangements to obtain a proxy or voting instruction form from the Strate Nominee via Strate. Payments (for example, dividends paid by the Company) by CSDPs or brokers to Underlying Shareholders (or their nominee, where applicable) will be made in accordance with the terms of the mandate entered into between such Underlying Shareholders and their CSDP or broker or nominee, and Underlying Shareholders can contact their CSDP or broker or nominee for further information in this regard.

The Company will procure that the SA Registrar (as defined in Annexe 18 to this Pre-listing Statement) is instructed to make the appropriate arrangements to credit the applicable Old Mutual plc Shareholders' CSDP accounts (or that of their nominee, where applicable) with the entitlement to the relevant Ordinary Shares upon Admissions.

In order to simplify the manner by which Old Mutual plc Shareholders hold their Ordinary Shares through the Strate System, it is expected that after implementation of the Proposals to finalise the Managed Separation, steps shall be taken under which the Strate Nominee transfers the registered holding of the Ordinary Shares to the CSDPs or brokers that have been appointed by the Underlying Shareholders (or their nominee, where applicable) so that the CSDP or broker is registered as the holder of the relevant Ordinary Shares on behalf of such Underlying Shareholders (or their nominee, where applicable). These arrangements are not part of the Proposals to finalise the Managed Separation.

*Trading and settlement in respect of Ordinary Shares by Old Mutual plc Shareholders who hold their Old Mutual plc Shares in Certificated Form on the JSE*

In the case of Old Mutual plc Shareholders whose Old Mutual plc Shares are registered on the Old Mutual plc SA Register and held in Certificated Form as at the Second Scheme Record Time, the Ordinary Shares to which they are entitled will only be capable of being traded and settled on the JSE through the Strate System in Dematerialised or in Uncertificated Form. Accordingly, such Old Mutual plc Shareholders will be required have their registered holding of Old Mutual plc Shares transferred to Old Mutual (South Africa) Nominees (RF) Proprietary Limited (the "OMSAN Nominee") (who will hold the relevant Old Mutual plc Shares on behalf of such Old Mutual plc Shareholders) prior to the Second Scheme Effective Time, in order to receive Ordinary Shares in Dematerialised or Uncertificated Form that can be traded on the JSE through the Strate System.

In order to facilitate these arrangements, in accordance with the terms of the First Scheme (as defined in Annexe 18 to this Pre-listing Statement), immediately prior to the Second Scheme Effective Time, the Old Mutual plc Shares held by the Old Mutual plc Shareholder on the Old Mutual plc SA Register in Certificated Form will be automatically transferred to the OMSAN Nominee and registered in Certificated Form in the name of the OMSAN Nominee. The Old Mutual plc Shareholders who held their Old Mutual plc Shares in Certificated Form will become Underlying Shareholders and OMSAN Nominee Participants holding the beneficial entitlement to the relevant Old Mutual plc Shares held by the OMSAN Nominee. At the Second Scheme Effective Time, the OMSAN Nominee will receive Ordinary Shares in Certificated Form which will then be immobilised and registered in Certificated Form in the name of the Strate Nominee on the SA Register. The OMSAN Nominee Participants will have their beneficial entitlement to the Ordinary Shares recorded in accounts maintained by the OMSAN Nominee's CSDP. Transfer and settlement of such beneficial title will be effected through the Strate System and in accordance with the Strate System Rules by the OMSAN Nominee (and its CSDP) on instructions from the OMSAN Nominee Participant to the OMSAN Nominee. If OMSAN Nominee Participants wish to attend a Shareholders' meeting in person, they will need to request a proxy or voting instruction form from the OMSAN Nominee. The dividends due to OMSAN Nominee Participants will be paid into their accounts with the OMSAN Nominee.

In order to simplify the manner by which Old Mutual plc Shareholders hold their Ordinary Shares through the Strate System, the Company may, after implementation of the Proposals to finalise the Managed Separation, consider implementing arrangements under which the OMSAN Nominee transfers the registered holding of the Ordinary Shares to a CSDP or broker that has been appointed directly by the OMSAN Nominee Participants (or their nominee, where applicable) so that the CSDP or broker is registered as the holder of the relevant Ordinary Shares on behalf of such OMSAN Nominee Participants (or their nominee, where applicable). These arrangements are not part of the Proposals to finalise the Managed Separation, and if the Company decides to implement such arrangements, full details will be released at the time.

Old Mutual plc reserves the right to distribute Ordinary Shares to any or all Old Mutual plc Shareholders who hold Old Mutual plc Shares in Dematerialised or Uncertificated Form as at the Second Scheme Record Time in Certificated Form and vice versa if, for reasons outside its reasonable control, it is not able to effect settlement as anticipated.

With effect from the Second Scheme Effective Time, all certificates representing Old Mutual plc Shares will cease to be of value and should be destroyed.

## 14.2 **Trading and settlement of the Ordinary Shares on the LSE**

An application has been made to the UKLA for the admission of the Ordinary Shares to the standard listing segment of the UK Official List and to the LSE for the Ordinary Shares to be admitted to trading on the LSE's main market for listed securities.

It is expected that Admissions will become effective and that dealings in Ordinary Shares on the LSE will commence at 8.00 a.m. (London time) on 26 June 2018. This date may be deferred if it is necessary to adjourn the General Meeting required to approve the Resolutions or if there is any delay in obtaining the Court's sanction of the Second Scheme.

### *Trading and settlement of Ordinary Shares by Old Mutual plc Shareholders who hold their Old Mutual plc Shares in Uncertificated Form (that is, in CREST) on the LSE*

In the case of Old Mutual plc Shareholders whose Old Mutual plc Shares are transferred to the UK Custodian under the First Scheme and are held by the UK Custodian at the Second Scheme Record Time (being those Old Mutual plc Shareholders who held their Old Mutual plc Shares on the Old Mutual plc UK Only Register in Uncertificated Form through CREST as at the First Scheme and Demerger, Record Time), as securities of issuers domiciled outside the United Kingdom and Ireland (such as the Company (which will be domiciled in South Africa)) cannot be held or settled directly through CREST, the settlement of trades in Ordinary Shares on the LSE cannot occur directly through CREST and must occur in the form of Company DIs. Accordingly, any Underlying Shareholders with a beneficial entitlement to Old Mutual plc Shares will receive Company DIs which will be credited to the same CREST accounts in which they currently hold their Old Mutual plc Shares.

Pursuant to the First Scheme, the relevant Old Mutual plc Shares held by such Old Mutual plc Shareholders through CREST will automatically be transferred to the UK Custodian. The UK Custodian will be the registered holder of such Old Mutual plc Shares and will hold such Old Mutual plc Shares on behalf of the CREST participants, who will become Underlying Shareholders. Pursuant to the arrangements that will be put in place by the Company, at the Second Scheme Effective Time, the UK Custodian will be issued Ordinary Shares on behalf of the Underlying Shareholders and the UK Depositary will issue Company DIs representing such Ordinary Shares to the CREST accounts of Old Mutual plc Shareholders who hold their Old Mutual plc Shares in Uncertificated Form on the UK Only Register as at the Second Scheme Effective Time.

Trading on the LSE and settlement of trades in the Company DIs through CREST will take place in the same way as for ordinary shares held through CREST.

In the case of Underlying Shareholders who hold a beneficial entitlement to Old Mutual plc Shares through Euroclear Sweden AB (being the Swedish central securities depository) as at the Second Scheme Record Time, Euroclear Sweden AB will receive Company DIs, which will be received on behalf of such Underlying Shareholders. However, the Company DIs will not be credited to securities accounts provided by Euroclear Sweden AB. It is therefore required that such Underlying Shareholders (or an account operator or nominee/custodian acting on their behalf) transition their beneficial entitlement to the Company DIs from Euroclear Sweden AB to a direct holding of Company DIs or Ordinary Shares. This will require such Underlying Shareholders take certain actions to enable this to occur before they are able to take any action or exercise rights in relation to the Company DIs to which they are beneficially entitled (for example, trading, voting and/or receiving dividends), including (but not limited to): (i) establishing their own CREST account that will enable them to hold the Company DIs to which they are beneficially entitled directly through CREST on the UK Register; or (ii) to the extent possible, appointing a financial institution with its own CREST account to act as their nominee; or (iii) rematerialising the Company DIs to which they are beneficially entitled into Ordinary Shares held in Certificated Form on the UK Register. If such Underlying Shareholders take no action, the Company DIs to which they are beneficially entitled will be rematerialised in due course into Ordinary Shares held in Certificated Form. There will be further information sent to relevant Underlying Shareholders to inform them about these transitioning arrangements in further detail. Relevant Underlying Shareholders may also contact their account operator or their nominee/custodian in Sweden for further details.

The Company DIs will have the same ISIN as the Ordinary Shares. Ordinary Shares are expected to trade under the LSE code of OMU.

Further detail in relation to the operation of the Company DIs is set out in "The Company DIs" below.

### *Trading and settlement in respect of Ordinary Shares by Old Mutual plc Shareholders who hold their Old Mutual plc Shares in Certificated Form on the LSE*

In the case of Old Mutual plc Shareholders whose Old Mutual plc Shares are registered on the Old Mutual plc UK Only Register and held in Certificated Form as at the Second Scheme Record Time, the Ordinary Shares to which such Old Mutual plc Shareholders are entitled will be distributed in Certificated Form and registered on the UK Register.



Definitive share certificates for the Ordinary Shares are expected to be despatched by 6 July 2018. Pending the despatch of share certificates for Ordinary Shares, transfers of Ordinary Shares by Old Mutual plc Shareholders whose Ordinary Shares are held in Certificated Form will be certified against the UK Register. Temporary documents of title will not be issued in respect of the Ordinary Shares held in this manner.

Old Mutual plc reserves the right to distribute Ordinary Shares to any or all Old Mutual plc Shareholders who hold Old Mutual plc Shares in Uncertificated Form as at the First Scheme and Demerger Record Time in Certificated Form and vice versa if, for reasons outside its reasonable control, it is not able to effect settlement as anticipated.

With effect from the Second Scheme Effective Time, all certificates representing Old Mutual plc Shares will cease to be of value and should be destroyed.

#### **14.3 Trading and settlement of the Ordinary Shares on the Malawi Stock Exchange, Namibian Stock Exchange and Zimbabwe Stock Exchange**

An application has been made to each of Malawi Stock Exchange, the Namibian Stock Exchange and the Zimbabwe Stock Exchange, as the case may be, for a secondary listing of all the issued Ordinary Shares on the Malawi Stock Exchange under the name OMUTUAL and share code OMU, the Namibian Stock Exchange under the name OMUTUAL and share code OMM and the Zimbabwe Stock Exchange under the name OMUTUAL and share code OMU. It is expected that Admissions will become effective and that dealings in the Ordinary Shares on each of the Malawi Stock Exchange, Namibian Stock Exchange and Zimbabwe Stock Exchange will commence on 26 June 2018. This date may be deferred if it is necessary to adjourn the General Meeting required to approve the Resolutions or if there is any delay in obtaining the Court's sanction of the Second Scheme.

*Trading and settlement of Ordinary Shares by Old Mutual plc Shareholders who hold a beneficial entitlement to Old Mutual plc Shares on a Branch Nominee Register (as defined in Annexe 18 to this Pre-listing Statement) and for whom the registered holder of such Old Mutual plc Shares is the relevant Branch Nominee (as defined in Annexe 18 to this Pre-listing Statement) whose Old Mutual plc Shares are traded on the Malawi Stock Exchange, Namibian Stock Exchange and Zimbabwe Stock Exchange*

In the case of Old Mutual plc Shareholders whose Old Mutual plc Shares are registered on a Branch Register (as defined in Annexe 18 to this Pre-listing Statement) in the name of the relevant Branch Nominee (who holds the beneficial entitlement to the relevant Old Mutual plc Shares on behalf of such Old Mutual plc Shareholders) and whose entitlement to such Old Mutual plc Shares is registered on the relevant Branch Nominee Register as at the Second Scheme Record Time, at the Second Scheme Effective Time the Ordinary Shares to which such Old Mutual plc Shareholders are entitled will be held by the relevant Branch Nominee, who will hold the beneficial entitlement to such Ordinary Shares on their behalf. The relevant Shareholders holding under this arrangement will therefore remain Underlying Shareholders and will hold the beneficial entitlement to such Ordinary Shares, which will be recorded in the register that is maintained by the relevant Branch Nominee. Trading by Underlying Shareholders, settlement of trades in the Ordinary Shares through the relevant Branch Nominee, receipt of any dividends paid by the Company and voting by Underlying Shareholders in respect of their Ordinary Shares will take place via the relevant Branch Nominee. All such arrangements, amongst others, will be facilitated by and performed in accordance with the terms of the mandate entered into between such Underlying Shareholders and the relevant Branch Nominee, and Underlying Shareholders can contact the relevant Branch Nominee for further information in this regard.

The Company will procure that the relevant Branch Nominee is instructed to make the appropriate arrangements to update the relevant Branch Nominee Register with Underlying Shareholders' ultimate beneficial entitlement to the relevant Ordinary Shares upon Admissions.

*Trading and settlement of Ordinary Shares by Old Mutual plc Shareholders who hold their Old Mutual plc Shares on the Old Mutual plc Malawi Register or the Old Mutual plc Zimbabwean Register in Certificated Form whose Old Mutual plc Shares are traded on the Malawi Stock Exchange or the Zimbabwe Stock Exchange, as the case may be*

In the case of Old Mutual plc Shareholders whose Old Mutual plc Shares are registered on the Old Mutual plc Malawi Register or the Old Mutual plc Zimbabwe Register and held in Certificated Form as at the Second Scheme Record Time, the Ordinary Shares to which such Old Mutual plc Shareholders are entitled will be distributed in Certificated Form.

Definitive share certificates for the Ordinary Shares are expected to be despatched by 6 July 2018. Pending the despatch of share certificates for Ordinary Shares, transfers of Ordinary Shares by Old Mutual plc Shareholders whose Ordinary Shares are held in Certificated Form will be certified against the relevant Malawi Register or Zimbabwean Register. Temporary documents of title will not be issued in respect of the Ordinary Shares.

Old Mutual plc reserves the right to distribute Ordinary Shares to any or all Old Mutual plc Shareholders who hold Old Mutual plc Shares in Dematerialised or Uncertificated Form as at the Second Scheme Record Time in Certificated Form and vice versa if, for reasons outside its reasonable control, it is not able to effect settlement as anticipated.

With effect from the Second Scheme Effective Time, all certificates representing Old Mutual plc Shares will cease to be of value and should be destroyed.

*Trading and settlement of Ordinary Shares by Old Mutual plc Shareholders who hold their Old Mutual plc Shares on the Old Mutual plc Namibian Register whose Old Mutual plc Shares are traded on the Namibian Stock Exchange*

In the case of Old Mutual plc Shareholders whose Old Mutual plc Shares are registered on the Old Mutual plc Namibian Register and:

- are held in Certificated Form as at the First Scheme and Demerger Record Time; or
- are registered on the Old Mutual plc Namibian Register in the name of OMNAN (who holds the beneficial entitlement to the relevant Old Mutual plc Shares on behalf of such Old Mutual plc Shareholders) and whose entitlement to such Old Mutual plc Shares is registered on the OMNAN Nominee Register as at the Second Scheme Record Time,

the Ordinary Shares to which they are entitled can be traded and settled on the JSE, through the Strate System in Dematerialised or Uncertificated Form.

In order to facilitate this, pursuant to the First Scheme, the relevant Old Mutual plc Shares held by such Old Mutual plc Shareholders who hold their Old Mutual plc Shares on the Old Mutual plc Namibian Register in Certificated Form as at the First Scheme and Demerger Record Time will be automatically transferred to Old Mutual (Namibia) Nominees Proprietary Limited (the "OMNAN Nominee"). The OMNAN Nominee will be the registered holder of such Old Mutual plc Shares and will hold such Old Mutual plc Shares on behalf of such Old Mutual plc Shareholders, who will become Underlying Shareholders and OMNAN Nominee Participants. Pursuant to the arrangements to be put in place by the Company, at the Second Scheme Effective Time, the OMNAN Nominee will be issued Ordinary Shares on the Namibian Register and will hold such Ordinary Shares on behalf of the OMNAN Nominee Participants. The OMNAN Nominee will record that the beneficial entitlement to such Ordinary Shares is held by the relevant OMNAN Nominee Participants.

In addition, in order for OMNAN Nominee Participants to be entitled to trade the Ordinary Shares to which they are beneficially entitled, each OMNAN Nominee Participant may be required to complete certain "know your customer" checks that must be carried out by the OMNAN Nominee in order to satisfy certain legal and regulatory requirements before it can complete these types of corporate actions on behalf of OMNAN Nominee Participants. Once such checks are completed, the transfer and settlement of such beneficial title to the Ordinary Shares can then be effected by the OMNAN Nominee Participant providing its instruction to trade to the OMNAN Nominee, who will arrange for the transfer and settlement of such beneficial title. In order to facilitate the transfer and settlement of such beneficial title to the relevant Ordinary Shares, the OMNAN Nominee will transfer the relevant Ordinary Shares to the Strate Nominee, who will become the registered holder of the Ordinary Shares on the SA Register and hold such Ordinary Shares on behalf the OMNAN Nominee, who will in turn hold its beneficial interest in the Ordinary Shares on behalf of the OMNAN Nominee Participant. The Strate Nominee will then effect the transfer and settlement of the Ordinary Shares through the Strate System via the OMNAN Nominee's CSDP and the Strate Nominee, in accordance with the Strate System Rules.

If an OMNAN Nominee Participant wishes to attend a Shareholders' meeting in person, they will need to request a proxy or voting instruction form from the OMNAN Nominee. Any dividends paid by the Company will be paid into OMNAN Nominee Participants' nominated bank accounts by the OMNAN Nominee, subject to the completion of the "know your customer" referred to above. All such arrangements, amongst others, will be facilitated by and performed in accordance with the terms of the mandate to which the OMNAN Nominee Participants and the OMNAN Nominee will be subject, and OMNAN Nominee Participants can contact the OMNAN Nominee for further information in this regard. Further detail in relation to the operation of the OMNAN Nominee is set out in "–Explanation of the principal OMNAN Nominee Terms and Conditions" below.

The Company will procure that the OMNAN Nominee is instructed to make the appropriate arrangements to update the OMNAN Nominee Register with OMNAN Nominee Participants' ultimate beneficial entitlement to the relevant Ordinary Shares upon the Quilter plc Admission (as defined in Annexe 18 to this Pre-listing Statement).

With effect from the Second Scheme Effective Time, all certificates representing Old Mutual plc Shares will cease to be of value and should be destroyed.

#### **14.4 The Company DIs**

##### *What is a Company DI*

A Depositary Interest (known as a DI) enables investors to hold and settle transfers of Ordinary Shares through CREST. As noted above, CREST is a paperless settlement system which allows securities to be transferred from one person's CREST account to another electronically without the need to use share certificates or written instruments of transfer. Securities of issuers domiciled outside the United Kingdom and Ireland, such as the Company (which will be domiciled in South Africa), cannot be held or settled directly in CREST.

The Company will therefore enter into depositary arrangements to enable Shareholders who hold Ordinary Shares on the UK Register to hold, and settle transfers of, Ordinary Shares through CREST in the form of Company

DIs. Each Company DI will represent an entitlement to one underlying Ordinary Share. The Ordinary Shares representing the Company DIs will be listed on the UK Official List and traded on the LSE. Company DIs will be transferred in CREST to settle those trades in the same way as other securities in CREST.

#### *How will the Company DIs work*

An application will be made for the depositary interests representing the Ordinary Shares to be admitted to CREST with effect from Admissions.

The Ordinary Share entitlements will be distributed to Old Mutual plc Shareholders whose Old Mutual plc Shares are transferred to the UK Custodian under the First Scheme and are held by the UK Custodian at the Second Scheme Record Time (being those Old Mutual plc Shareholders who held their Old Mutual plc Shares on the Old Mutual plc UK Only Register in Uncertificated Form through CREST as at the First Scheme Record and Demerger Time).

Pursuant to the First Scheme, the relevant Old Mutual plc Shares held by such Old Mutual plc Shareholders in Uncertificated Form through CREST will automatically be transferred to the UK Custodian. The UK Custodian will be the registered holder of such Old Mutual plc Shares and will hold such Old Mutual plc Shares on behalf of the Old Mutual plc Shareholders whose Old Mutual plc Shares were transferred, who will, in turn, become Underlying Shareholders. Pursuant to the arrangements that will be put in place by the Company, at the Second Scheme Effective Time, the UK Custodian will receive Ordinary Shares on behalf of the Underlying Shareholders and the UK Depositary will issue Company DIs representing such Ordinary Shares to the CREST accounts of Old Mutual plc Shareholders who hold their Old Mutual plc Shares in Uncertificated Form on the Old Mutual plc UK Only Register as at the Second Scheme Effective Time.

The Company DIs will represent the entitlements to Ordinary Shares. The Ordinary Shares will be traded on the LSE and the Company DIs representing the Ordinary Shares traded will be settled through CREST.

A Company DI register of CREST participants will be maintained showing full details of the holders of the Company DIs and the corresponding Ordinary Shares in a similar fashion to the register of legal ownership of the Ordinary Shares. Although the UK Register will show the UK Custodian as the legal holder of the relevant Ordinary Shares, the beneficial entitlement to the Ordinary Shares will remain with Underlying Shareholders, as holders of the Company DIs. The Company DIs will be in wholly Uncertificated Form and Company DIs will only be capable of being held and transferred between CREST participants.

Each Company DI will be treated as one Ordinary Share for the purposes of determining, for example, eligibility for dividends. The Company DIs will have the same ISIN as the underlying Ordinary Shares and will not require a separate listing on the UK Official List.

The Company DIs will be independent securities constituted under English law which may be transferred through the CREST system.

#### *Summary of the principal terms of the Deed Poll*

The Company DIs will be created and issued under the Deed Poll (as defined in Annexe 18 to this Pre-listing Statement), which will govern the relationship between the UK Depositary and the holders of the Company DIs. The Deed Poll will be executed by the UK Depositary in favour of the holders of the Company DIs from time to time.

The rights of holders of Company DIs will be set out in the Deed Poll, as summarised below.

Holders of Company DIs will be taken to warrant, *inter alia*, that Ordinary Shares held by the UK Depositary or the UK Custodian (on behalf of the UK Depositary) are transferred or issued, as the case may be, free and clear of all liens, charge, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's constitutional documents or any contractual obligation binding on the holder or transferor, law or regulation or order binding on the holder of the Company DIs or the transferor. Each holder of Company DIs indemnifies the UK Depositary for any liabilities that the UK Depositary incurs as a result of breach of this warranty.

The UK Depositary must use all reasonable endeavours to pass on and ensure that the UK Custodian passes on to holders of Company DIs and, so far as they are reasonably able, exercise on behalf of holders of Company DIs all rights and entitlements received or to which they are entitled in respect of the underlying Ordinary Shares which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form in which they are received together with amendments and additional documentation necessary to effect such passing-on, or, as the case may be, exercised in accordance with the Deed Poll.

The UK Depositary will be entitled to cancel Company DIs and withdraw the underlying Ordinary Shares in certain circumstances including where a holder of Company DIs has failed to perform any obligation under the Deed Poll or any other agreement or instrument with respect to the Company DIs.

The Deed Poll will also contain provisions excluding and limiting the UK Depositary's liability. For example, the UK Depositary shall not be liable to any holder of Company DIs or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from

the UK Depositary's own negligence or wilful default or fraud. Furthermore, except in the case of personal injury or death, the UK Depositary's liability to a holder of Company DIs will be limited to the lesser of:

- the value of the Ordinary Shares and other deposited property properly attributable to the Company DIs to which the liability relates; and
- that proportion of £5 million which corresponds to the amount that the UK Depositary would otherwise be liable to pay to the holder of Company DIs as a proportion of the aggregate of the amounts the UK Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission or event which gave rise to such liability or, if there are no such amounts, £5 million.

The UK Depositary will also not be liable for any losses attributable to or resulting from inter alia the Company's acts or omissions or any refusal or failure of the CREST operator (amongst other things).

The UK Depositary will also be entitled to charge holders of Company DIs fees and expenses of the provision of its services under the Deed Poll.

Each holder of Company DIs is liable to indemnify the UK Depositary and the UK Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll, so far as they relate to the property held for the account of the Company DIs held by that holder, other than those resulting from the wilful default, negligence or fraud of the UK Depositary, or the UK Custodian or any agent, if such UK Custodian or agent is a member of the UK Depositary's group, or, if not being a member of the same group, the UK Depositary has failed to exercise reasonable care in the appointment and continued use of such UK Custodian or agent.

The UK Depositary may terminate the Deed Poll by giving not less than 30 days' prior notice. During such notice period, holders may cancel their Company DIs and withdraw their deposited property and, if any Company DIs remain outstanding after termination, the UK Depositary must, as soon as reasonably practicable, among other things, deliver the deposited property in respect of the Company DIs to the relevant holder of Company DIs or, at its discretion sell all or part of such deposited property. If the latter occurs, the UK Depositary must, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the UK Depositary, together with any other cash held by it under the Deed Poll, *pro rata* to holders of Company DIs in respect of their Company DIs.

The UK Depositary or the UK Custodian may require from any holder of Company DIs, or former or prospective holder, information as to the capacity in which Company DIs are owned or held and the identity of any other person with any interest of any kind in such Company DIs or the underlying Ordinary Shares. Holders of Company DIs are bound to provide such information requested. Furthermore, to the extent that the Company's constitutional documents require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or an interest of any kind whatsoever in, the Ordinary Shares, the holders of Company DIs are to comply with such provisions and with the Company's instructions with respect thereto.

It should also be noted that holders of Company DIs may not have the opportunity to exercise all of the rights and entitlements available to holders of Ordinary Shares in the Company. In relation to voting, it will be important for holders of Company DIs to give timely instructions to the UK Depositary or the UK Custodian, in accordance with any voting arrangements made available to them, to vote the underlying Ordinary Shares on their behalf or, to the extent possible, to take advantage of any agreements enabling holders of Company DIs to vote such Ordinary Shares as a proxy of the UK Depositary or the UK Custodian.

Prospective holders of the Company DIs should note that they will have no rights in respect of the underlying Ordinary Shares or the Company DIs representing them against CREST or its subsidiaries.

A copy of the Deed Poll can be made available to prospective holders of Company DIs by contacting the Helpline. A copy of the Deed Poll will be available after Admissions upon a request being made in writing by a holder of Company DIs to the UK Depositary. An administration fee may be charged by the UK Registrar for providing a copy of the Deed Poll.

#### *Summary of the principal terms of the Depositary Agreement*

The Depositary Agreement between the Company and the UK Depositary (as defined in Annexe 18 to this Pre-listing Statement) provides the terms on which the Company will appoint the UK Depositary to constitute and issue from time to time, upon the terms of the Deed Poll, Company DIs representing securities issued by the Company and to provide certain other services in connection with such Company DIs with a view to facilitating the indirect holding by participants in CREST. The UK Depositary agrees that it will comply with the terms of the Deed Poll and that it will perform its obligations with reasonable skill and care. Under the terms of the Depositary Agreement, the UK Depositary assumes certain specific obligations, including the obligation to issue to CREST members Company DIs in Uncertificated Form. The UK Depositary warrants that it is an authorised person under the FSMA and is duly authorised to carry out the services required under the Deed Poll in accordance therewith.

The UK Depositary will, either itself or through the UK Custodian, act as bare trustee and hold the deposited property (which includes, inter alia, the securities represented by the Company DIs) as may be designated from

time to time by the UK Depositary. The Company agrees to provide assistance, information and documentation to the UK Depositary (to the extent available to the Company) as may reasonably be required by the UK Depositary to properly carry out its duties, responsibilities and obligations under the Deed Poll and Depositary Agreement. The Depositary Agreement sets out the procedures to be followed if the Company is to pay or make a dividend or other distribution.

The Company is to indemnify the UK Depositary for any loss, damage, claim, cost and expense and any other liabilities in respect of certain matters under the Depositary Agreement (for example, breaches of warranties and undertakings by the Company under the Depositary Agreement). The Company is also to indemnify the UK Depositary in respect of any liability which the UK Depositary suffers or incurs as a result of any claim being made by a holder of Company DIs in connection with the obligations, duties and responsibilities imposed on the UK Depositary under the Depositary Agreement except to the extent that any such liability results from the UK Depositary's own negligence, fraud or wilful default. The total liability of the UK Depositary under the Depositary Agreement cannot exceed the fees and charges paid by the Company to the UK Depositary for a calendar year, save in respect of which any liability arises from the UK Depositary's own negligence, wilful default or fraud. Subject to earlier termination, the UK Depositary is appointed for an initial fixed period of 3 years and indefinitely thereafter until such time as the Depositary Agreement is terminated by either party by giving notice based on a fixed notice period. The Company is to pay certain fees and charges, including an annual fee. The UK Depositary is also entitled to recover reasonable out of pocket fees and expenses.

#### **14.5 Explanation of the principal OMSAN Nominee Terms and Conditions**

The OMSAN Nominee will hold the Ordinary Shares for OMSAN Nominee Participants in accordance with the OMSAN Nominee Terms and Conditions (as defined in Annexe 18 to this Pre-listing Statement). OMSAN Nominee Participants are the beneficial owners of the Ordinary Shares and may give instructions to transfer the relevant Ordinary Shares.

The OMSAN Nominee will arrange for the Company to send to the OMSAN Nominee Participant the same information as it sends to the Company registered shareholders generally. This may include financial statements and information regarding shareholder meetings.

The OMSAN Nominee will vote in accordance with the voting instructions provided by an OMSAN Nominee Participant. If the OMSAN Nominee Participant does not provide any instructions, the OMSAN Nominee will not vote in relation to the OMSAN Nominee Participant's Ordinary Shares. An OMSAN Nominee Participant may attend, speak and vote at any shareholder meeting of the Company in respect of the beneficial interest in the Ordinary Shares. The OMSAN Nominee should be contacted by an OMSAN Nominee Participant should they wish to do so, in order to complete the relevant documentation that will enable this to occur.

The OMSAN Nominee will, subject to applicable exchange control legislation and regulations, arrange for the Company to pay any dividends. Exchange control legislation and regulations may require dividend payments to be made to an appropriate "blocked account".

OMSAN Nominee Participants may leave the OMSAN Nominee facility by transferring their Ordinary Shares out of the OMSAN Nominee, which can be done by contacting the OMSAN Nominee in order to obtain the relevant documentation.

No charges are payable by an OMSAN Nominee Participant in relation to the OMSAN Nominee facility (other than for services requested by an OMSAN Nominee Participant), however, the OMSAN Nominee reserves the right to introduce charges for the OMSAN Nominee facility at any time. OMSAN Nominee Participants will receive notice and the option to withdraw from the OMSAN Nominee facility without charge 1 calendar month after receiving such notice. OMSAN Nominee Participants are responsible for any taxes payable in respect of their participation in the OMSAN Nominee facility.

The OMSAN Nominee will provide each OMSAN Nominee Participant with an account statement once a calendar year. On each occasion that an OMSAN Nominee Participant trades in their interest in the relevant Ordinary Shares, they will be sent details of such interest sold or purchased.

Any payments made to an OMSAN Nominee Participant under the OMSAN Nominee Terms and Conditions will be made after deductions or withholdings that are required by law or are necessary to meet any liability for which the OMSAN Nominee or its agents are liable as a result of their holding of Ordinary Shares on behalf of such OMSAN Nominee Participant.

All communications made under the OMSAN Nominee Terms and Conditions must be in writing.

The OMSAN Nominee will not be liable to the relevant OMSAN Nominee Participants for any loss or liability under the OMSAN Nominee Terms and Conditions and the OMSAN Nominee Participants are required to keep the OMSAN Nominee, its directors, employees and agents indemnified against any loss or liability suffered or incurred by them as a result of acting on an OMSAN Nominee Participant's instructions or as a result of an OMSAN Nominee Participant failing to give instructions or such instructions being given late, or otherwise as a result of acting in accordance with the OMSAN Nominee Terms and Conditions, unless due to the wilful default gross negligence or fraud of such person.

Any addition to, variation or cancellation of the OMSAN Nominee Terms and Conditions must be communicated to OMSAN Nominee Participants in writing and at least 14 business days' notice provided.

The OMSAN Nominee Terms and Conditions are governed by the laws of South Africa.

The OMSAN Nominee Terms and Conditions are available on Old Mutual plc's website at [www.oldmutualplc.com](http://www.oldmutualplc.com) and on the Company's website at [www.oldmutual.com](http://www.oldmutual.com). The terms and conditions relating to an ongoing share dealing service offered to OMSAN Nominee Participants is also available on Old Mutual Limited's website at [www.oldmutual.com](http://www.oldmutual.com).

#### **14.6 Explanation of the principal OMNAN Nominee Terms and Conditions**

The OMNAN Nominee Terms and Conditions (as defined in Annexe 18 to this Pre-listing Statement) that will apply to OMNAN Nominee Participants are on terms and conditions that are substantially similar to those of the OMSAN Nominee as described in "–Explanation of the principal OMSAN Nominee Terms and Conditions" above. The OMNAN Nominee Terms and Conditions are available on Old Mutual plc's website at [www.oldmutualplc.com](http://www.oldmutualplc.com) and on the Company's website at [www.oldmutual.com](http://www.oldmutual.com). The terms and conditions relating to an ongoing share dealing service offered to OMNAN Nominee Participants is also available on Old Mutual Limited's website at [www.oldmutual.com](http://www.oldmutual.com).

### **15. Overseas Shareholders**

Overseas Shareholders (as defined in Annexe 18 to this Pre-listing Statement) may be affected by the laws of other jurisdictions. Overseas Shareholders should inform themselves about and observe all applicable legal requirements.

It is the responsibility of any person into whose possession this Pre-listing Statement comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the allotment and issue of Ordinary Shares, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or levies due in such jurisdiction.

This Pre-listing Statement has been prepared for the purposes of complying with the JSE Listings Requirements and the UK Prospectus Rules as well as, to the extent applicable, the Malawi Stock Exchange Listings Requirements, the Namibian Stock Exchange Listings Requirements and the Zimbabwe Stock Exchange Listings Requirements. The information disclosed may not be the same as that which would have been disclosed if this Pre-listing Statement had been prepared in accordance with the laws of jurisdictions outside Malawi, Namibia, South Africa, the United Kingdom or Zimbabwe.

THIS PRE-LISTING STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SECURITIES REFERRED TO IN THIS PRE-LISTING STATEMENT IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW OR WHERE FURTHER ACTION IS REQUIRED FOR SUCH PURPOSE.

Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Managed Separation in their particular circumstances.

### **16. Shareholders in the United States**

The Ordinary Shares to be issued in connection with the Schemes are expected to be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10) and, as a consequence, have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States.

The Ordinary Shares generally should not be treated as "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and persons who receive securities in the Schemes (other than "affiliates" as described in the paragraph below) may resell them without restriction under the Securities Act.

Under the US securities laws, persons who are deemed to be affiliates of Old Mutual plc, Quilter plc or the Company as of the Demerger Effective Time or the Second Scheme Effective Time may not resell the Ordinary Shares received pursuant to the Schemes without registration under the Securities Act, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Whether a person is an affiliate of a company for such purposes depends upon the circumstances, but affiliates of a company can include certain officers and directors and significant shareholders. Old Mutual plc Shareholders who believe they may be affiliates for the purposes of the Securities Act should consult their own legal advisers prior to any resale of Ordinary Shares received pursuant to the Schemes.

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## PART XVI

### TAXATION

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*The following summary describes certain tax consequences in connection with the acquisition, ownership and disposal of Ordinary Shares. This summary is based on the laws as in force and as applied in practice on the Last Practicable Date and is subject to changes to those laws and practices subsequent to such date. In the case of persons who are non-residents of South Africa for income tax purposes, this summary should be read in conjunction with the provisions of any applicable double tax agreement between South Africa and their country of residence. The summary is intended as a general guide only and is not comprehensive or determinative and should not be regarded as tax advice. Accordingly, if you are in any doubt about your tax position you should consult an appropriate independent professional adviser.*

#### 1. South African Taxation

##### 1.1 Taxation considerations

The following is a summary of the material South African tax consequences in connection with the acquisition, ownership and disposal of Ordinary Shares. The following summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to acquire, purchase, own or dispose of the Ordinary Shares and does not cover tax consequences that depend upon your particular tax circumstances or jurisdictions outside of South Africa. This summary is only a general discussion and it is not a substitute for tax advice.

The discussion in this section is based on current South African law. Changes in the law may alter the tax treatment of the Ordinary Shares, as applicable, possibly on a retrospective basis. It is recommended that you consult your own tax adviser about the consequences of subscribing for and purchasing, holding, disposing of the Ordinary Shares, as applicable, in your particular situation.

##### 1.2 Residence-based system of taxation

Residents of South Africa are taxed on their worldwide income including capital gains, whereas non-residents are taxed only on income and certain capital gains sourced in South Africa or deemed to be from a source in South Africa.

An individual will be a resident of South Africa for tax purposes if such individual is “ordinarily resident” in South Africa or if the requirements of the physical presence test are met.

A person’s residence status for exchange control purposes may be different to that person’s residence status for tax purposes.

A legal person (ie a company, close corporation and trust) is considered to be a South African resident if it is incorporated, established or formed in South Africa or has its place of effective management in South Africa.

The South African Income Tax Act, 58 of 1962 (as amended) (“Income Tax Act”) excludes from the definition of resident all persons (legal or natural) that are deemed to be exclusively resident in another country in terms of an agreement for the avoidance of double taxation to which South Africa is a party.

##### 1.3 Dividend definition

A dividend is broadly defined as meaning any amount transferred or applied by a company that is a resident for the benefit or on behalf of any person in respect of any share in that company, whether that amount is transferred or applied: (i) by way of a distribution made by; or (ii) as consideration for the acquisition of any share in, that company. However, a dividend does not include any amount so transferred or applied to the extent that the amount so transferred or applied (i) results in a reduction of the contributed tax capital of the company, (ii) constitutes shares in the company, or (iii) constitutes a general repurchase by the company of its shares listed on the JSE.

Contributed tax capital, in its basic form, will comprise amounts received by or accrued to a company as consideration for the issue of its shares. This would therefore typically be share capital and share premium (excluding any portion thereof which comprises capitalised reserves).

##### 1.4 Dividend income

Dividends declared by a South African company are generally exempt from income tax in the hands of the recipient, but there are various anti-avoidance provisions and other specific provisions that deny the income tax exemption in relation to certain dividends with the result that they are treated as ordinary income. The position of non-resident Shareholders will depend on the tax legislation applicable to them.

## 1.5 Dividends Tax

Dividends tax in South Africa ("Dividends Tax") is a withholding tax that is levied on the payment of any amount by way of a dividend, subject to certain exemptions. Dividends Tax is triggered by the payment of a dividend, and is levied at the rate of 20%. While the company paying the dividend has the obligation to withhold the Dividends Tax, the liability for the tax is that of the beneficial owner of the dividend.

An exception to this general principle is where a dividend consists of a distribution *in specie*, resulting in the liability for the Dividends Tax falling on the company itself, which means that it may not withhold the tax from the dividend distribution.

There are various exemptions available in respect of Dividends Tax, subject to meeting administrative formalities within prescribed timeframes. The most notable exemption is in respect of dividends paid to a beneficial owner that is a South African resident company, pension fund or provident fund.

Furthermore, where a dividend is paid to a non-resident of South Africa, the rate of Dividends Tax may be reduced under the provisions of an applicable double taxation agreement. In order for a non-resident shareholder to benefit from the reduced rate they will be required to complete a beneficial owner declaration and undertaking form prescribed by SARS by a date determined by the South African company or by the date of payment of the dividend. This applies to non-residents of South Africa that are beneficial owners of the Ordinary Shares listed directly on the JSE or any other exchange.

## 1.6 Disposal of shares

The disposal of Ordinary Shares will give rise to either a capital or revenue receipt or accrual in the hands of the taxpayer. As dealt with further below, capital gains are subject to a lower effective tax rate than revenue amounts. This is because only a portion (the inclusion amount) of a capital gain is included in a taxpayer's taxable income and then subjected to normal income tax.

In determining whether the amount derived from the disposal of such Ordinary Shares is of a capital or revenue nature, regard should be had to section 9C of the Income Tax Act, which will deem proceeds on the disposal of the Ordinary Shares that are held for a continuous period of at least 3 years to be capital in nature. Conversely, the capital or revenue nature of proceeds realised in respect of shares held for less than 3 years is determined in accordance with principles well-established by South African courts over the years, which predominantly focus on the taxpayer's speculative or long-term holding intentions.

Subject to certain relief under double taxation agreements, if a non-resident shareholder trades in South African shares, such non-resident Shareholder could be subject to South African income tax if the proceeds from the disposal are from a South African source, which would be the case if the share is attributable to a permanent establishment of that non-resident in South Africa.

## 1.7 Capital Gains Tax ("CGT")

Residents of South Africa are subject to CGT in respect of gains made on the disposal of their worldwide assets.

Non-residents (subject to potential relief under double taxation agreements) will incur a liability for CGT only in relation to the disposal of certain assets, namely immovable property situated in South Africa, assets of a South African permanent establishment or if the non-residents hold at least 20% of the shares in a company where the market value of the assets of the company are primarily (ie 80% or more) attributable to South African immovable property.

## 1.8 Tax rates

The following table sets out the normal income tax rates applicable to certain taxpayers, the prescribed portion of a capital gain that would be included in a taxpayer's taxable income, and, consequently, the effective rate at which capital gains are taxed.

Type of taxpayer	Statutory income tax rate on taxable income	Prescribed portion of the capital gain included in taxable income	Maximum effective rate on capital gains
Individuals	18% – 45%	40%	18%
Trusts			
Special	18% – 45%	40%	18%
Other	45%	80%	36%
Companies/Permanent establishments	28%	80%	22.4%



## 1.9 **Corporate tax**

The corporate tax rate is presently 28% of taxable income.

## 1.10 **Securities transfer tax**

The Ordinary Shares will have a primary listing in South Africa on the JSE, a standard listing in the UK on the LSE and secondary listings in Namibia, Malawi and Zimbabwe on every transfer of any security issued by a company incorporated, established or formed inside the Republic. Consequently, securities transfer tax will be payable in respect of all transfers of the Ordinary Shares (irrespective of which branch register the Ordinary Share is regulated on, but subject to the commentary below in relation to the Company DIs) and including the cancellation or redemption of a share at the rate of 0.25% of the taxable amount of such shares being the higher of the market value or consideration given for the shares, determined in terms of the South African Securities Transfer Tax Act, 25 of 2007 (as amended). The definition of "transfer" excludes the issue of a share and hence no securities transfer tax is payable on the issue of a share. Securities transfer tax will only be imposed in respect of the transfer of Ordinary Shares listed and traded on the JSE. No SA securities transfer tax will arise on the transfer of Ordinary Shares between the UK Register and the SA Register provided that there is no change in beneficial ownership of the Ordinary Shares.

Securities transfer tax should not be payable on the transfer of the Company DIs as the UK Depositary will be the issuer of those DIs (securities) and the Depositary will not be incorporated or listed in South Africa. Any subsequent transfer of the Ordinary Shares by the UK Depositary will however be subject to securities transfer tax, provided that the beneficial ownership of the Ordinary Shares changes.

## 2. **United Kingdom Taxation**

The comments set out below are based on current United Kingdom tax law as applied in England and Wales and Her Majesty's Revenue & Customs published practice (which may not be binding on Her Majesty's Revenue & Customs) as at the date of this Pre-listing Statement, both of which are subject to change, possibly with retrospective effect. They are intended as a general guide and apply only to Shareholders resident and in the case of an individual, domiciled (under both UK domestic law and any relevant double tax agreement), for tax purposes in the United Kingdom and to whom "split year" treatment does not apply (except insofar as express reference is made to the treatment of non-UK residents), who hold Ordinary Shares in the Company as an investment and who are the absolute beneficial owners thereof. The discussion does not address all possible tax consequences relating to an investment in the Ordinary Shares. Certain categories of Shareholders, including those carrying on certain financial activities, those subject to specific tax regimes or benefitting from certain reliefs or exemptions, those connected with the Company or the Group and those for whom the Ordinary Shares are employment related securities, may be subject to special rules and this summary does not apply to such Shareholders. This summary also does not apply to any Shareholder who, alone or with certain associated persons, is (or has been) interested or treated as interested in more than 5% of the Ordinary Shares.

Shareholders or prospective Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

### 2.1 **Taxation of Dividends**

The Company will not be required to withhold amounts on account of United Kingdom tax at source when paying a dividend. As discussed under "1 – South African Taxation – 1.5 Dividends Tax" above, the Company will be required to withhold South African Dividends Tax of 20% from dividends distributed to non-South African residents, including United Kingdom residents. In order to benefit from a lower withholding tax rate under the terms of the UK/South Africa double taxation agreement ("The Treaty"), the UK resident Shareholder would be required to lodge a declaration with the share registrar. The Treaty provides for lower withholding rates of 5% if the Shareholder holds more than 10% of the capital of the Company or 10% in other cases.

### 2.2 **Individual Shareholders**

A UK resident individual Shareholder will not be subject to income tax on a dividend such individual Shareholder receives from the Company if the total amount of dividend income received by the individual in the tax year (including the dividend from the Company) does not exceed a dividend allowance the amount of which will be £2,000 from the tax year beginning 6 April 2018), which will be taxed at a nil rate (the "Dividend Allowance").

In determining the income tax rate or rates applicable to a UK resident individual Shareholder's taxable income, dividend income is treated as the highest part of such individual Shareholder's income. Dividend income that falls within the Dividend Allowance will count towards the basic or higher rate limits (as applicable) which may affect the rate of tax due on any dividend income in excess of the Dividend Allowance.

To the extent that a UK resident individual Shareholder's dividend income for the tax year exceeds the Dividend Allowance and, when treated as the top slice of such individual Shareholder's income, falls above such individual Shareholder's personal allowance but below the basic rate limit, such an individual Shareholder will be subject

to tax on that dividend income at the dividend basic rate of 7.5%. To the extent that such dividend income falls above the basic rate limit but below the higher rate limit, such an individual Shareholder will be subject to tax on that dividend income at the dividend upper rate of 32.5%. To the extent that such dividend income falls above the higher rate limit, such an individual Shareholder will be subject to tax on that dividend income at the dividend additional rate of 38.1%.

South African Dividends Tax withheld from the payment of a dividend may be available as a credit against the income tax payable by an individual Shareholder in respect of the dividend.

### 2.3 **Corporate Shareholders**

Shareholders who are within the charge to corporation tax in respect of Ordinary Shares will be subject to corporation tax on the gross amount of any dividends paid by the Company, subject to any applicable credit for South African Dividends Tax imposed by way of withholding, unless (subject to special rules for such Shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met. Each Shareholder's position will depend on its own individual circumstances, although it would normally be expected that the dividends paid by the Company would fall within an exempt class.

### 2.4 **Taxation of Capital Gains**

Shareholders who are resident in the United Kingdom, or, in the case of individuals, who cease to be resident in the United Kingdom for a period of 5 years or less, may depending on their circumstances (including the availability of exemptions or reliefs) be liable to United Kingdom taxation on chargeable gains in respect of gains arising from a sale or other disposal of Ordinary Shares.

### 2.5 **Inheritance Tax**

A gift of Ordinary Shares by, or the death of, an individual holder of Ordinary Shares may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax.

Generally, UK inheritance tax is not chargeable on gifts to individuals if the transfer is made more than 7 complete years prior to the death of the donor. For UK inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements potentially bringing them within the charge to inheritance tax.

If a charge to estate duty and/or donations tax in South Africa arises in respect of shares in the Company in connection with the same event that gives rise to a charge to UK inheritance tax, the amount of estate duty and/or donations tax in South Africa should be allowed as a credit against the UK inheritance tax liability under the current estate and gift tax convention between the United Kingdom and South. The amount of any such credit may not exceed the UK inheritance tax charge.

The UK inheritance tax implications of an individual that makes a gift of, or dies holding, Company DIs are broadly the same as set out above.

### 2.6 **Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

#### *Ordinary Shares not registered on a United Kingdom register*

No United Kingdom stamp duty will be payable on the issue of Ordinary Shares and no United Kingdom stamp duty should be required to be paid on the transfer of Ordinary Shares provided that the Ordinary Shares are not kept on a register maintained in the United Kingdom and any instrument of transfer is not executed in the United Kingdom, and does not relate to any matter or thing done or to be done, in the United Kingdom. No United Kingdom SDRT will be payable on the issue or transfer of the Ordinary Shares provided that the Ordinary Shares are not registered in any register kept in the United Kingdom.

#### *Ordinary Shares registered on the United Kingdom register*

An agreement to transfer Ordinary Shares registered on the United Kingdom register of the Company will normally give rise to a charge to SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer. Transfers of Ordinary Shares will generally be subject to stamp duty at the rate of 0.5% of the consideration given for the transfer (rounded up to the next £5).

The purchaser normally pays the stamp duty or SDRT (as applicable). If a duly stamped transfer completing an agreement to transfer is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT already paid is generally repayable, normally with interest, and any SDRT charge yet to be paid is cancelled.

In practice, it is anticipated that most United Kingdom Shareholders will hold Ordinary Shares in uncertificated form through Company DIs – where relevant please refer to the disclosure in respect of Company DIs below.

#### *Company DIs*

No *ad valorem* United Kingdom stamp duty or SDRT is payable in respect of the issue of Ordinary Shares to the UK Depositary.

No *ad valorem* United Kingdom stamp duty or SDRT is payable on the issue of Company DIs by the UK Depositary or the surrender of Company DIs to the UK Depositary.

On the basis that transfers of Company DIs are effected without any written instrument of transfer, no United Kingdom stamp duty is payable on the transfer of Company DIs.

Transfers of Company DIs are, however, generally liable to SDRT, at the rate of 0.5% of the amount or value of the consideration payable for the transfer. This SDRT charge would arise on the basis that the Ordinary Shares to which such Company DIs relate are registered on the United Kingdom register of the Company.

CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Otherwise, where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the member or dealer will normally account for the collection and payment of any applicable stamp duty or SDRT, but in all other cases the transferee or purchaser must account for the tax to HMRC. The Company will not be responsible for the payment of stamp duty or SDRT in any such case.

#### *Transfers of Ordinary Shares between the UK Register and the SA Register*

No United Kingdom stamp duty or SDRT will arise on the transfer of Ordinary Shares between the UK Register and the SA Register provided that (i) there is no change in beneficial ownership of the Ordinary Shares and (ii) in the case of stamp duty only, the transfer is not a transfer or conveyance in contemplation of a sale of the Ordinary Shares.

#### *General*

The above statements in this section are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

### **3. Malawian Taxation**

#### **3.1 Taxation considerations**

The following is a summary of the material Malawian tax consequences in connection with the acquisition, ownership and disposal of Ordinary Shares. The following summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to acquire, purchase, own or dispose of the Ordinary Shares and does not cover tax consequences that depend upon your particular tax circumstances or jurisdictions outside of Malawi. This summary is only a general discussion and it is not a substitute for tax advice.

The discussion in this section is based on current Malawi law. Changes in the law may alter the tax treatment of the Ordinary Shares, as applicable, possibly on a retrospective basis. It is recommended that you consult your own tax adviser about the consequences of subscribing for and purchasing, holding, disposing of the Ordinary Shares, as applicable, in your particular situation.

#### **3.2 Source-based system of taxation**

Malawi's tax system operates on a source basis, and not on the residence basis. Source is not defined in the Malawian Taxation Act, 2010 (as amended) ("Malawian Taxation Act"), but means the place where the income is earned and not the place of payment.

#### **3.3 Individuals**

Regardless of residence, an individual will be taxed only on Malawi-source income and not on passive foreign income.

#### **3.4 Legal persons (company, close corporation and trust)**

Locally incorporated companies and branches of foreign companies are subject to corporate income tax on their income deemed to be from a source in Malawi. Income is deemed to be from a source within Malawi if it is derived from the carrying on, in Malawi, of a "trade." For this purpose, "trade" covers any employment, profession, business, calling, occupation, or venture, including the leasing of property. Foreign-source income is exempt from corporate income tax.

### 3.5 **General proviso regarding treaty resident persons**

The Malawian Taxation Act defines a permanent establishment as “an office or other fixed place of business through which business activity is carried on”. This short definition is wide in scope. Care must be exercised when considering this definition in situations that may be affected by a double tax agreement. Each double tax agreement contains a specific definition of what constitutes a Permanent Establishment.

### 3.6 **Dividend definition**

The definition of a “dividend” for Malawian tax purposes means “...any distribution, whether in cash or property, by a company to a shareholder thereof with respect to the shareholder’s interest in the company...”

### 3.7 **Dividend income**

Dividends are exempt from income tax.

### 3.8 **Dividends Tax**

A final withholding tax at a rate of 10% is imposed on dividends distributed by a Malawian company to resident and non-resident companies and individuals. Dividends are not subject to another 10% withholding tax if they are redistributed.

Dividends in respect of Ordinary Shares held on the Malawian Register may be received from Malawian companies via a Malawian Dividend Access Trust and therefore subject to the Malawian 10% dividends tax.

If dividends in respect of the Ordinary Shares are instead received from the Company they will be subject to the 20% South African dividend tax. The 20% South African dividend tax is withheld from dividends declared by South African companies to, *inter alia*, non-South African shareholders.

### 3.9 **Capital gains**

Any capital gain realised from the sale or other disposition of a capital asset is included in assessable income.

Capital gains equal the difference between the sale proceeds and the basis of the asset, which is either the cost of the asset or the open market price of the asset at the time of acquisition. For shares, the basis constitutes the original cost of the shares adjusted by an inflation indexation factor. This is determined by comparing the price index on the date of acquisition to the price index on the date of disposal.

Note that capital gains on Ordinary Shares traded on the Malawi Stock Exchange are exempt from tax if those Ordinary Shares are held by the taxpayer for at least 1 year.

### 3.10 **Tax rates**

The following table sets out the normal income tax rates applicable to certain taxpayers, the prescribed portion of a capital gain that would be included in a taxpayer’s taxable income, and, consequently, the effective rate at which capital gains are taxed.

Type of taxpayer	Statutory income tax rate on taxable income	Prescribed portion of the capital gain included in taxable income	Effective rate on capital gains
Individuals, residents	15%-30%	100%	30%
Individuals, non-residents	15%	100%	15%
Trusts	25%	100%	25%
Life assurers – investment income	30%	100%	30%
Companies	30%	100%	30%
Permanent establishments	35%	100%	35%

### 3.11 **Securities Transfer Tax**

Malawi does not impose stamp or similar duties on the transfer, redemption or issue of shares.

## 4. Namibian Taxation

### 4.1 *Taxation considerations*

The following is a summary of the material Namibian tax consequences in connection with the acquisition, ownership and disposal of Ordinary Shares. The following summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to acquire, purchase, own or dispose of the Ordinary Shares and does not cover tax consequences that depend upon your particular tax circumstances or jurisdictions outside of Namibia. This summary is only a general discussion and it is not a substitute for tax advice.

The discussion in this section is based on Namibian law as at the Last Practicable Date. Changes in the law may alter the tax treatment of the Ordinary Shares, as applicable, possibly on a retrospective basis. It is recommended that you consult your own tax adviser about the consequences of subscribing for and purchasing, holding, disposing of the Ordinary Shares, as applicable, in your particular situation.

### 4.2 *Source-based system of taxation*

Namibia has a source-based tax system and any income earned from a Namibian source or deemed Namibian source is subject to tax in Namibia unless a double tax agreement overrides the provisions of the Income Tax Act, 24 of 1981 (as amended) ("Namibian Income Tax Act").

There is no definition of the term "source" in the Namibian Income Tax Act. The tax courts have followed the principle of determining the originating cause of the income (this could be the capital employed or trade conducted, for example) and if that cause is located in Namibia, then the income is derived from a source in Namibia.

### 4.3 *Dividend definition*

A "dividend" means "any amount distributed by a company ... to its shareholders...".

### 4.4 *Dividend income*

Any dividends (local or foreign) received by or accrued to a Namibian resident are exempt from tax.

Dividends in respect of Ordinary Shares held on the Namibian branch share register may be received from Namibian companies via a Namibian Dividend Access Trust and therefore Namibian residents would be exempt from Namibian tax thereon.

If dividends in respect of the Ordinary Shares are instead received from the Company they will be subject to the 20% South African dividends tax. The 20% South African dividends tax is withheld from dividends declared by South African companies to, *inter alia*, non-South African shareholders. The double tax agreement between South Africa and Namibia may reduce the tax rate from 20% to 15%.<sup>1</sup>

Dividends declared by a Namibian company, which would be the case in respect of dividends distributed via a Namibian Dividend Access Trust, to a non-resident person will be subject to non-resident shareholders tax ("NRST").

NRST is payable at the standard rate of 10% where a company holds more than 25% of the issued shares in the Namibian company. In all other cases the NRST payable is 20%. The rate of NRST may be reduced if a double tax agreement is in place between Namibia and the country in which the shareholder is resident.

### 4.5 *Disposal of shares*

The disposal of Ordinary Shares will give rise to either a capital or revenue receipt or accrual in the hands of the taxpayer. Namibia does not impose capital gains tax and the redemption, issue or transfer of Ordinary Shares held as investments does not generally attract income tax in Namibia.

### 4.6 *Capital gains*

Capital gains tax is not imposed in Namibia.

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<sup>1</sup> The rate is reduced to 5% of the gross amount of the dividends if the beneficial owner is a company which holds at least 25% of the capital of the company paying the dividends.

#### 4.7 **Tax rates**

The following table sets out the normal income tax rates applicable to certain taxpayers.

Type of taxpayer	Statutory income tax rate on taxable income
Individuals	18% – 37%
Trusts	37%
Long-term insurers (the rate is applied to gross investment income)	12.8%
Companies	32%
Permanent establishments	32%

#### 4.8 **Stamp duties**

Stamp duties are payable at 0.2% on the issue and transfer of shares, being marketable securities, to the extent that the instrument of issue or transfer is executed in Namibia or, where executed outside Namibia, relates to the transfer or hypothecation of property situated in Namibia. Stamp duties are also payable on the cancellation or redemption of shares in certain circumstances. Shares listed on the Namibian Stock Exchange are exempt from stamp duty on the transfer of shares.

### 5. **Zimbabwean Taxation**

#### 5.1 **Taxation considerations**

The following is a summary of the material Zimbabwean tax consequences in connection with the acquisition, ownership and disposal of Ordinary Shares. The following summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to acquire, purchase, own or dispose of the Ordinary Shares and does not cover tax consequences that depend upon particular tax circumstances or jurisdictions outside of Zimbabwe. This summary is only a general discussion and it is not a substitute for tax advice.

The discussion in this section is based on current Zimbabwean law. Changes in the law may alter the tax treatment of the Ordinary Shares, as applicable, possibly on a retrospective basis. It is recommended that you consult your own tax adviser about the consequences of subscribing for, purchasing, holding, and disposing of the Ordinary Shares, as applicable, in your particular situation.

#### 5.2 **Source-based system of taxation**

Zimbabwe currently applies a source-based system of taxation. However, some types of foreign income are deemed to be from a source within Zimbabwe. Income derived, or deemed to be derived, from sources within Zimbabwe is subject to tax. Foreign interest and dividends accruing to taxpayers that are ordinarily resident in Zimbabwe are deemed to be from a source in Zimbabwe. Where income is deemed to be derived from Zimbabwe, relief of the foreign tax suffered, up to a maximum of the Zimbabwe tax, may be allowed as a tax credit.

Non-resident individuals, subject to certain exclusions, are subject to tax on their Zimbabwe-sourced income only.

#### 5.3 **Individuals**

An individual will be a resident of Zimbabwe for tax purposes if such individual is ordinarily resident or resides in Zimbabwe for an aggregate period of 183 days in a year of assessment.

The term “ordinarily resident” is not defined in the Income Tax Act (Chapter 23:06) (“Zimbabwean Income Tax Act”) and therefore a common-law interpretation applies. Under common law, an individual is ordinarily resident in a country (i) in which such individual would naturally and as a matter of course return from his or her wanderings, (ii) which is such individual’s usual place of residence, or (iii) which is such individual’s real home.

In practice, an individual may be considered a resident of Zimbabwe if such individual owns or leases a residence and the place of business or employment is in Zimbabwe.

#### 5.4 **Legal persons (company, close corporation and trust)**

A company is resident in Zimbabwe if it is incorporated, formed or established in Zimbabwe or has its place of effective management (central and management control) in Zimbabwe as per paragraph 1(3) of the Ninth Schedule to the Zimbabwean Income Tax Act.

### 5.5 **General proviso regarding treaty resident persons**

The concept of a permanent establishment was introduced into the Zimbabwe Income Tax Act effective from 1 January 2017. The wording is based on the OECD's base erosion and profit shifting ("BEPS") guidelines that have been adopted by many countries.

The establishment of a local office or branch will usually create a permanent establishment, although the provisions of any relevant double tax agreement should be considered. If a permanent establishment exists, only the portion of the income attributable to the permanent establishment will be subject to tax in Zimbabwe.

### 5.6 **Dividend definition**

A "dividend" means "any amount distributed by a company "... to its shareholders...".

### 5.7 **Dividend income**

Dividends received by a resident corporation from another resident corporation are exempt from withholding tax and income tax. Gross dividends received from foreign companies are deemed to be from a source in Zimbabwe and are subject to tax at a rate of 20%.

### 5.8 **Dividends tax**

Dividends paid out by a resident company to a resident individual will be subject to withholding tax. The rate applied is 10% of the dividend if from listed shares; and 15% of the dividend if received from unlisted shares.

Dividends in respect of Ordinary Shares held on the Zimbabwean Register may be received from Zimbabwean companies via a Zimbabwean Dividend Access Trust and therefore subject to the 10% dividends withholding tax.

If dividends in respect of the Ordinary Shares are instead received from the Company they will be subject to the 20% South African dividends tax. The 20% South African dividends tax is withheld from dividends declared by South African companies to, *inter alia*, non-South African shareholders. The double tax agreement between South Africa and Zimbabwe may reduce the tax rate from 20% to 10%.<sup>2</sup>

Dividends declared by a Zimbabwean company (which could occur if dividends are received from the Zimbabwean Dividend Access Trust) to a non-resident holding company will be subject to NRST. NRST is payable at a rate of 15% unless double tax agreement relief is available.

### 5.9 **Disposal of shares**

According to the Capital Gains Tax Act, CGT is levied on the gain on the disposal of any specified asset, including a marketable security (e.g. debentures, shares, unit trusts, bonds and stock).

### 5.10 **Capital Gains Tax ("CGT")**

CGT is triggered on the disposal or deemed disposal of an asset which includes but is not limited to any event, act, forbearance or operation of law that results in the creation, variation, or transfer of a specified asset, subject to any exclusions and exemptions. In determining the CGT liability capital gains derived from the disposal of listed securities are exempt from CGT but the gross sale proceeds are subject to 1% capital gains withholding tax which is a final tax. A disposal of Ordinary Shares is expected to be exempt from CGT but will incur the 1% capital gains withholding tax.

### 5.11 **Tax rates**

The following table sets out the normal income tax rates applicable to certain taxpayers. Capital gains are taxed separately to normal income, as described herein above.

Type of taxpayer	Statutory income tax rate on taxable income excluding capital gains
Individuals	20% – 50%
Companies & trusts	25%
Life assurers	25%
Permanent establishments	25%

<sup>2</sup> The rate will reduce to 5% of the gross amount of the dividends if the beneficial owner is a company which holds directly at least 25% of the capital of the company paying the dividends.

### 5.12 **AIDS Levy**

An AIDS levy of 3% is imposed on income tax payable (excluding tax on income subject to special rates).

### 5.13 **Stamp Duty**

Any dealings in shares listed on the Zimbabwe Stock Exchange are exempt from stamp duty.

## 6. **Certain US Federal Income Tax Considerations**

The following is a summary of certain US federal income tax consequences of the ownership and disposition of Ordinary Shares by a US Holder (as defined in Annexe 18 to this Pre-listing Statement) that holds the Ordinary Shares as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the ownership or disposition of Ordinary Shares by particular US Holders (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-US or other tax laws. This summary also does not address tax considerations applicable to US Holders that own (directly, indirectly or by attribution) 5% or more of the stock (by vote or value) of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, entities and arrangements treated as partnerships for US 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, investors that will hold the Ordinary Shares as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes, persons that have ceased to be US citizens or lawful permanent residents of the United States, investors holding the Ordinary Shares in connection with a trade or business conducted outside of the United States, or investors whose functional currency is not the USD).

The US federal income tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds Ordinary 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 US federal income tax purposes should consult their tax advisers concerning the US federal income tax consequences to them and their partners of the ownership and disposition of Ordinary Shares by the partnership.

Except as otherwise noted, the summary assumes that the Company is not a passive foreign investment company ("PFIC") for US federal income tax purposes in the current taxable year, has never been a PFIC and will not be a PFIC in the foreseeable future. The Company's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for US Holders. See "Passive Foreign Investment Company Considerations" below.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "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 "United States-South Africa Treaty"), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL US HOLDERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING AND DISPOSING OF THE ORDINARY SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-US AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

### 6.1 **Dividends**

#### *General*

Distributions paid by the Company out of current or accumulated earnings and profits (as determined for US federal income tax purposes), before reduction for any non-US withholding tax paid by the Company with respect thereto, generally will be taxable to a US Holder as dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's basis in the Ordinary Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distribution by the Company with respect to Ordinary Shares will be reported as ordinary dividend income. The distribution would not be eligible for the dividends-received deduction normally allowed to corporations.

Dividends paid by the Company generally will be taxable to a non-corporate US Holder at the reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the United States-South Africa Treaty and certain other requirements are met. US Holders should consult their own tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from the Company.



### *Dividends paid in Rand*

Dividends paid in Rand will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holder, regardless of whether the Rand is converted into US dollars at that time. If dividends received in Rand are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

As discussed under “South African Taxation – Dividends Tax” above, the Company generally will be required to withhold dividend tax of 20% from dividends distributed to non-South African residents, including US Holders. The rate of withholding tax applicable to US Holders that are eligible for benefits under the United States–South Africa Treaty is reduced to a maximum of 15%, provided that certain certification requirements are met. See “South African Taxation – Dividends Tax” above regarding the certification requirements that must be met in order to avoid being subject to withholding at a higher rate.

### *Effect of non-US Withholding Taxes*

For US federal income tax purposes, US Holders will be treated as having received the amount of any non-US taxes withheld by the Company, and as then having paid over the withheld taxes to the non-US taxing authorities. As a result of this rule, the amount of dividend income included in gross income for US federal income tax purposes by a US Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the US Holder from the Company with respect to the payment.

A US Holder generally will be entitled, subject to certain limitations, to a credit against its US federal income tax liability, or a deduction in computing its US federal taxable income, for non-US income taxes withheld by the Company. A US Holder that is eligible for benefits under an income tax treaty between the United States and a non-US jurisdiction generally will not be entitled to a foreign tax credit or deduction for the amount of any non-US tax withheld in excess of the maximum rate under such treaty, and with respect to which the holder is entitled to obtain a refund from the relevant non-US taxing authority. Dividends paid by the Company generally will constitute foreign source income. The rules governing foreign tax credits are complex. US Holders should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to distributions received from the Company.

## **6.2 Sale or other disposition**

Upon a sale or other disposition of Ordinary Shares, a US Holder generally will recognise capital gain or loss for US federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition (which may be reduced by any transfer taxes incurred) and the US Holder’s adjusted tax basis in the Ordinary Shares, in each case, as determined in US dollars. This capital gain or loss will be long-term capital gain or loss if the US Holder’s holding period in the Ordinary Shares exceeds 1 year. The deductibility of capital losses is subject to limitations. US Holders should consult their own tax advisers about how to account for proceeds on the sale or other disposition of Ordinary Shares that are not paid in US dollars.

Any gain or loss generally will be US source. Therefore, a US Holder may have insufficient foreign source income to utilise foreign tax credits attributable to any non-US withholding tax imposed on a sale or disposition. US Holders should consult their tax advisers as to the availability of and limitations on any foreign tax credit attributable to this withholding tax. To the extent a US Holder incurs any transfer tax in connection with a transfer, cancellation or redemption of Ordinary Shares, such as the South African STT as described above under “South African taxation – Securities Transfer Tax”, such transfer tax generally will not be a creditable tax for US foreign tax credit purposes.

## **6.3 Passive Foreign Investment Company Considerations**

A non-US 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 interests, 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 the Company and its subsidiaries is attributable to passive assets held in connection with insurance and banking businesses conducted by certain of the Company’s subsidiaries. Accordingly, the eligibility of these businesses for such exception is central to the determination of the PFIC status of the Company.

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. The Board believes that its banking subsidiaries should currently meet these requirements.

It is unclear how to apply the PFIC rules and the active insurance exception to non-US insurance companies, such as the Company’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 US insurance companies. 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 the Company'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, the Company does not expect to be a PFIC for the current taxable year. Because these determinations are factual in nature and subject to change as facts develop, there can be no assurance given as to whether the income and activities of the insurance subsidiaries and banking subsidiaries of the Company, currently qualify, or will continue to qualify, for the active insurance exception and/or the active banking exception, or that the Company will not be a PFIC for the current year or in the future.

If the Company were a PFIC in any year in a US Holder's holding period, material adverse consequences could arise for such US Holder. Certain elections may be available that may mitigate these adverse consequences. US Holders are urged to consult their tax advisers regarding the potential application of the PFIC regime.

#### **6.4 Backup Withholding and Information Reporting**

Payments of dividends and other proceeds with respect to Ordinary Shares, by a US paying agent or other US 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 payments 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 ownership or disposition of Ordinary Shares, including requirements related to the holding of certain foreign financial assets.

#### **6.5 FATCA Withholding**

Pursuant to certain provisions of the Code, commonly known as FATCA, a "foreign financial institution" may be required to withhold certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Company is a foreign financial institution for these purposes. A number of jurisdictions (including South Africa) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Ordinary Shares, including whether payments on instruments such as the Ordinary Shares would ever be treated as foreign passthru payments subject to withholding, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Ordinary Shares, withholding on foreign passthru payments would not apply prior to 1 January 2019. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Ordinary Shares. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Ordinary Shares, no person will be required to pay additional amounts as a result of the withholding.

## PART XVII EXCHANGE RATES

### Foreign Currency Translation Information

The following table sets forth, for the periods indicated, the rates used to translate foreign currency information into Rand for the purposes of the Old Mutual plc Group's statements of financial position.

	As at 31 December		
	2017	2016	2015
		(R)	
GBP	16.7565	16.9551	22.8183
USD	12.3902	13.7344	15.4868
Euro	14.8955	14.4857	16.8280
COP	241.0170	218.4813	204.9810
NGN	29.0552	22.9337	12.8690

The following table sets forth, for the periods indicated, the rates used to translate foreign currency information into Rand for the purposes of the Old Mutual plc Group's income statements.

	Year ended 31 December		
	2017	2016	2015
		(R)	
GBP	17.1493	19.9305	19.5223
USD	13.3107	14.6998	12.7726
Euro	15.0336	16.2690	14.1825
COP	221.8020	207.6634	215.1428
NGN	25.0360	17.6011	15.4693

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## PART XVIII

### EXCHANGE CONTROL

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#### 1. South Africa

##### 1.1 *Exchange Control Regulations post implementation of the Managed Separation*

Exchange controls are imposed on South African residents in terms of the Exchange Control Regulations. The Financial Surveillance Department of SARB is responsible for the day-to-day administration of the exchange controls. The Financial Surveillance Department of SARB has a wide discretion which discretion is, however, not exercised arbitrarily but is based upon a set of norms, and is subject to the policy guidelines laid down by the Minister of Finance, Director General, Finance, and the SARB. The Exchange Control Regulations and the Currency and Exchanges Manual for Authorised Dealers are collectively referred to as "Exchange Control Rules" herein.

Certain South African banks have been appointed to act as authorised dealers (as defined by the Exchange Control Rules) in foreign exchange. Authorised dealers may buy and sell foreign exchange, subject to conditions and within limits prescribed by the Financial Surveillance Department of SARB.

The authorised dealers are also required to assist the Financial Surveillance Department of SARB to administer the Exchange Control Rules. All applications to the Financial Surveillance Department of SARB are required to be made through an authorised dealer. The Currency and Exchanges Manual for Authorised Dealers sets out the conditions, permissions and limits applicable to the transactions in foreign exchange which may be undertaken by authorised dealers, as well as details of related administrative responsibilities.

The Exchange Control Rules provide for restrictions on exporting capital from the CMA. Transactions between residents of the CMA, on the one hand, and corporations and persons whose normal place of residence, domicile or registration is outside of the CMA, on the other hand, non-residents are subject to these Exchange Control Rules.

Currency and shares are not freely transferable from South Africa to any jurisdiction outside the geographical borders of South Africa or jurisdictions outside of the CMA. These transfers must comply with the Exchange Control Rules as described below. The Exchange Control Rules also regulate the acquisition by former residents and non-residents of Ordinary Shares.

A non-resident may purchase Ordinary Shares. All payments in respect of purchases of Ordinary Shares by non-residents must be made through an authorised dealer in foreign exchange. Such non-residents should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an application to be made in response to delivered Ordinary Shares.

Share certificates issued in respect of Ordinary Shares purchased by non-residents will be endorsed "non-resident" in accordance with the Exchange Control Rules. Holders of Uncertificated Ordinary Shares will have their statements endorsed "non-resident" and their accounts at their CSDP or broker annotated accordingly.

Provided that the relevant share certificate is endorsed "non-resident" or the relevant account of the Shareholder at the CSDP or broker is annotated accordingly, there is no restriction under the Exchange Control Rules on the payment to a non-resident Shareholder of cash dividends from the distributable profits of the Company in proportion to the Shareholder's percentage holding of Ordinary Shares ("Cash Dividends"). Payments to non-resident Shareholders of other dividends and distributions by the Company (including special dividends, dividends *in specie* and capitalisation issues) require the consent of the Financial Surveillance Department of SARB.

Cash Dividends and any proceeds from the sale of Ordinary Shares by non-resident Shareholders may be freely transferred out of South Africa, subject to being converted into a currency other than Rand or paid for the credit of a non-resident Rand account.

The Company is not, and does not expect to be immediately after Admission, an affected person for the purposes of the Exchange Control Regulations. The Company will be an affected person if 75% or more of its voting power, capital or earnings is, directly or indirectly, controlled by non-residents. If the Company becomes an affected person, Cash Dividends may be freely paid to non-residents as described above, provided that the payment will not cause the Company to be placed in an over-borrowed position in terms of the Exchange Control Regulations.

## 1.2 **Conditions and Exchange Control Regulations applicable to the Managed Separation**

### *Conditions*

In South Africa, the Managed Separation has been approved by the Financial Surveillance Department of SARB, which approval includes, *inter alia*, approval of the Schemes and the issuance of the Ordinary Shares to Old Mutual plc Shareholders in terms thereof.

Approval of the Managed Separation by the Financial Surveillance Department of the SARB is subject to the following conditions:

- as regards the Admissions on the UK Official List, Malawi Stock Exchange, Namibian Stock Exchange and Zimbabwe Stock Exchange: Ordinary Shares and/or securities listed on the UK Official List, Malawi Stock Exchange, Namibian Stock Exchange and Zimbabwe Stock Exchange may only be traded for cash to (i) non-residents and (ii) South African qualifying institutional investors (subject to such qualifying institutional investors' prudential investment limits);
- Ordinary Shares and/or securities listed on the UK Official List, Malawi Stock Exchange, Namibian Stock Exchange and Zimbabwe Stock Exchange may only be traded for cash to (i) non-residents and (ii) South African qualifying institutional investors (subject to such qualifying institutional investors' prudential investment limits);
- South African residents may only hold their Ordinary Shares and/or securities on, and settle their trades in Ordinary Shares and/or securities via the SA Register, whereas non-residents may hold their Ordinary Shares and/or securities on, and settle their trades in Ordinary Shares and/or securities via any register (including the SA Register) on which they are lawfully permitted to do so;
- the Ordinary Shares and/or securities listed on the UK Official List, Malawi Stock Exchange, Namibian Stock Exchange and Zimbabwe Stock Exchange will form part of the Company's share capital;
- South Africa will remain the place of effective management and tax residency of the Company and under no circumstances may the Company re-domicile without the prior written approval of the SARB and the Financial Sector Conduct Authority;
- all intellectual property, trademarks and related aspects developed in South Africa and externalised to Old Mutual plc should be returned to South Africa (in this regard the general conditions of section B.2(A) of the Currency and Exchanges Manual for Authorised Dealers must be complied with); and
- any acquisitions by the Company outside of South Africa will be subject to the regulations set out in the Currency and Exchanges Manual for Authorised Dealers or, where applicable, FSB and/or SARB approval.

### *Exchange Control Regulations*

The following summary of the Exchange Control Regulations is intended as a guide only and is not a comprehensive statement of the Exchange Control Regulations. Scheme Participants (as defined in Annexe 18 to this Pre-listing Statement) who have any queries regarding the Exchange Control Regulations should contact their own professional advisers without delay.

### *Emigrants from the CMA*

Any share certificates that may be issued by the Company to emigrants from the CMA will be endorsed "non-resident" in accordance with the Exchange Control Regulations.

Uncertificated Ordinary Shares and/or securities will be credited directly to their emigrant share accounts at the CSDP or broker controlling their remaining portfolios and an appropriate electronic entry will be made in the relevant register reflecting a "non-resident" endorsement. The CSDP or broker will ensure that the emigrant adheres to the Exchange Control Regulations.

Any Ordinary Shares and/or securities issued in Certificated Form (as defined in Annexe 18 to this Pre-listing Statement), Cash Dividends and residual cash payments based on emigrants' Ordinary Shares and/or securities controlled in terms of the Exchange Control Regulations will be forwarded to the authorised dealer in foreign exchange controlling their assets. Elections by emigrants must be made through the authorised dealer in foreign exchange controlling their assets.

### *Residents outside of the CMA*

Any share certificates that may be issued by the Company to non-residents of the CMA will be endorsed "non-resident" in accordance with the Exchange Control Regulations.

Uncertificated Ordinary Shares and/or securities will be credited directly to their non-resident share accounts at the CSDP or broker controlling their portfolios and an appropriate electronic entry will be made in the relevant register reflecting a "non-resident" endorsement. The CSDP or broker will ensure that the non-resident adheres to the Exchange Control Regulations.

Cash Dividends and residual cash payments due to non-residents are freely transferable from South Africa, subject to being converted into a currency other than Rand or paid for the credit of a non-resident Rand account.

## 2. **Malawi**

Under the laws of Malawi, exchange control approval is required for a resident of Malawi to acquire, dispose of or otherwise deal with foreign securities. Foreign securities are defined as including shares that are registered outside Malawi. The exchange control approval is not required where the shares are acquired otherwise than for valuable consideration. Likewise, exchange control approval is required for a non-resident of Malawi to hold shares in a company incorporated in Malawi. An application for exchange control approval is made by letter to an authorised dealer bank which in turn makes the application on behalf of the applicant to the Reserve Bank of Malawi. The Reserve Bank of Malawi communicates its response to the authorised dealer bank which passes it on to the applicant.

## 3. **Namibia**

Exchange controls are imposed on Namibian residents in terms of the Exchange Control Regulations, 1961 as promulgated by South African Government Notice R.1111 of 1 December 1961 and amended by the Namibian Government Notice No. 126 in Government Gazette No. 4767 of 1 August 2011, in terms of section 9 of the Currency and Exchanges Act, 9 of 1933 ("Namibian Exchange Control Regulations"). In Namibia, exchange control is the responsibility of the Ministry of Finance, which has largely delegated this authority to the Bank of Namibia ("BON"). The BON has, in turn, delegated several of these functions to authorised dealers (ie certain commercial banks licensed to deal in foreign exchange). The major function of the authorised dealers is to assist the BON with the administration of exchange controls.

All requests/applications for foreign exchange have to be made through the authorised dealers. In addition, authorised dealers may buy and sell foreign exchange, subject to conditions and within limits prescribed by BON.

Namibia, as a member of the CMA, has its own exchange control authority as well as their own acts or regulations and rulings dealing with exchange control.

However, in terms of the Multilateral Monetary Agreement ("MMA") the application of the exchange control provisions by the Government of Namibia, must in all material aspects be substantially in accord with the exchange control provisions in force in South Africa as amended from time to time; provided that should the Government of Namibia consider that its national interest would be materially and adversely affected by any subsequent amendment introduced by the government of South Africa, the Government of Namibia would not be obliged to incorporate such amendment into its exchange control provisions. However, similar restrictions apply in respect of Namibia as is the case with South Africa, where currency is transferred outside Namibia and the CMA.

Namibian resident persons would be able to purchase shares in a non-resident South African incorporated company that has a primary listing on the JSE, without needing to obtain any exchange control approvals, via an authorised dealer and stock-broker. Accordingly, Namibian residents can acquire Ordinary Shares without needing to obtain any exchange control approvals.

Non-residents may purchase Ordinary Shares. All payments in respect of purchases of Ordinary Shares by non-residents must be made through an authorised dealer in foreign exchange. Such non-residents should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an application to be made in response to delivered Ordinary Shares.

Provided that the relevant share certificate is endorsed "non-resident", there is no restriction under the Namibian Exchange Control Regulations on the payment to a non-resident Shareholder of Cash Dividends. Payments to non-resident Shareholders of other dividends and distributions by the Company (including special dividends, dividends *in specie* and capitalisation issues) require the consent of the exchange control division of BON.

Cash Dividends and any proceeds from the sale of Ordinary Shares by non-resident Shareholders may be freely transferred out of Namibia, subject to being converted into a currency other than Namibia Dollar or Rand or paid for the credit of a non-resident Namibia Dollar account.

The Bank of Namibia has granted exchange control approval for the Managed Separation on condition that the Company complies, *inter alia*, with the conditions imposed by SARB as set out in paragraph 1.2 above.

## 4. Zimbabwe

### 4.1 Conditions applicable to the Managed Separation

In Zimbabwe, the Managed Separation has been approved for exchange control purposes by the External Loans and Exchange Control Review Committee of the RBZ.

The RBZ has, in particular, approved:

- the Admission of the Company, as a secondary listing, to the Zimbabwe Stock Exchange with full fungibility for up to 49% of the Ordinary Shares on the Zimbabwean Register;
- the receipt of shares in the Company, Quilter plc and Nedbank, respectively, as part of the proposals to finalise the Managed Separation, and the holding and trading of those shares on the relevant exchanges;
- a Dividend Access Trust for payment of Company dividends to Shareholders on the Zimbabwean Register from local subsidiary funds; and
- the Zimbabwean Nominees to hold the securities of Shareholders not resident in Zimbabwe.

The approval granted by the RBZ is subject to, *inter alia*, the following conditions:

- Old Mutual plc to ensure that the share issuance, swaps and pricing pursuant to the Schemes are concluded at fair value and in a manner that will not prejudice Old Mutual plc Shareholders on the Zimbabwean Register or reduce the value of their assets or investment portfolios;
- all investment income arising from the Quilter plc Shares or Nedbank shares held by Zimbabwean residents as well as proceeds from the disposals of such shares shall be remitted to Zimbabwe through normal banking channels under advice to the exchange control authorities of the RBZ;
- Zimbabwean residents who wish to participate in the Quilter plc Share Sale shall do so within the confines of the policy that limits individual offshore investments to \$10,000.00 per individual per annum; and
- Old Mutual plc must obtain approvals from various relevant Zimbabwean regulators.

### 4.2 General considerations

The Zimbabwean Exchange Control Act (Chapter 22:05) ("Zimbabwean Exchange Control Act") as read with the Exchange Control (Exchange Control Authority) Notice, Statutory Instrument 145 of 1997, provides the regulatory framework for foreign exchange transactions involving the issues that are restricted under the Zimbabwean Exchange Control Act. The RBZ and the Zimbabwean Minister of Finance and Economic Development, are Exchange Control Authorities and in terms of section 3 of the Zimbabwean Exchange Control General Order SI 110 of 1996, every commercial bank and accepting house registered under the Zimbabwean Banking Act is an authorised dealer in terms of the exchange control regulations of Zimbabwe. The Exchange Control Division is responsible for policies and procedures which ensure proper accountability of the supply side of the current account of the balance of payments. Generally:

- Zimbabwean residents are allowed to buy shares in foreign entities subject to prior exchange control approval unless exempted from requiring such approval.
- The purchase of shares by non-resident Zimbabweans or foreigners in unlisted companies shall be limited to 50% of the total equity of the relevant company with a single investor limited to acquiring a maximum of 10% of the shares on offer. Restrictions also apply to listed companies, as set out below.
- A company listed on the Zimbabwe Stock Exchange can have a maximum of 70% non-resident Zimbabwean investors. The investments proceeds will qualify for 100% remittability rights subject to deduction of the relevant withholding tax. Disinvestment proceeds will be freely remittable.
- Current Zimbabwean exchange control policy allows a single foreign investor to acquire listed shares on the Zimbabwe Stock Exchange up to 15% per counter. Foreign investors overall ownership in a listed company is 49%. Full fungibility of 49% on selected counters listed on the Zimbabwe Stock Exchange is allowed. The policy is aimed at ensuring maintenance of shares on the Zimbabwe Stock Exchange register, hence encouraging participation by local investors. Prior exchange control approval is, however, required for fungibility status. No prior exchange control approval will be necessary for foreign investors wanting to participate on the Zimbabwe Stock Exchange. Please see paragraph 4.1 above for further information in relation to the approvals granted by the RBZ with regards to the proposals to finalise the Managed Separation, and the conditions imposed on such approvals, including in particular in relation to fungibility of the Ordinary Shares on the Zimbabwean Register.
- Authorised dealers, shall on behalf of non-resident investors, receive funds for onward transmission to stock brokers for purchase of shares. Shares purchased on behalf of the foreign investors shall be registered into either their own names or the names of nominee companies. In respect of certificated securities, the share certificates, once registered accordingly should be endorsed "Non-resident", and for dual-listed shares, a further endorsement "For sale within Zimbabwe only", will be required. Authorised dealers will be responsible for such endorsement. The certificates may be delivered to the foreign investor or his bankers according to instructions.
- For the purpose of dividend payments, the investors will enjoy 100% dividend remittance rights, and authorised dealers can process these remittances without prior exchange control approval.

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## PART XIX

### MANAGED SEPARATION

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#### 1. *Background to, and Reasons for, the Managed Separation*

The background to and reasons for the Managed Separation, and the progress that has been made toward full Managed Separation have been described in the Scheme Circular, which has been published by Old Mutual plc on the same date as this Pre-listing Statement. In summary, following a comprehensive strategic review of the Old Mutual plc Group, the Old Mutual plc Board determined that the Old Mutual plc Group had four strong businesses, each of which had good prospects and was capable of operating independently of the Old Mutual plc Group, but also that there was a lack of strategic logic for holding the businesses together, nor any material synergies between them. Instead, the Old Mutual plc Group's structure was restricting the prospects of the four businesses and preventing Old Mutual plc Shareholders from benefiting from the full value of the underlying businesses because:

- it prevented the Old Mutual plc Shareholders from directly accessing and being aligned to the underlying businesses, thus contributing towards a conglomerate discount;
- it inhibited the efficient funding of future growth plans for the individual businesses, restricting them from realising their full potential;
- it imposed additional complexity and constraints on the business, due to the evolving regulatory environment in Europe and South Africa; and
- it added incremental cost, due to central costs, which exceeded the limited tangible synergies between the 4 businesses.

In March 2016, Old Mutual plc announced that its board believed that the long-term interests of Old Mutual plc Shareholders and other stakeholders would be best served by separating the four businesses then owned by the Old Mutual plc Group from each other so that they could operate as fully independent businesses. This was described as a "Managed Separation".

In June 2016, Old Mutual plc announced that it intended to execute the Managed Separation by means of one or more transactions, which would deliver two separate entities, listed on both the LSE and the JSE, into the hands of Old Mutual plc Shareholders. One entity, being Quilter plc, would consist principally of Old Mutual plc's UK wealth management operations and be domiciled and have its primary listing in the UK. The other entity, being the Company, would be the new holding company of the Group and consist principally of the Old Mutual plc Group's emerging markets operations. The Company would be domiciled and have its primary listing in South Africa and, following a reorganisation of the Old Mutual plc Group, Old Mutual plc would delist and become a wholly-owned subsidiary of the Company.

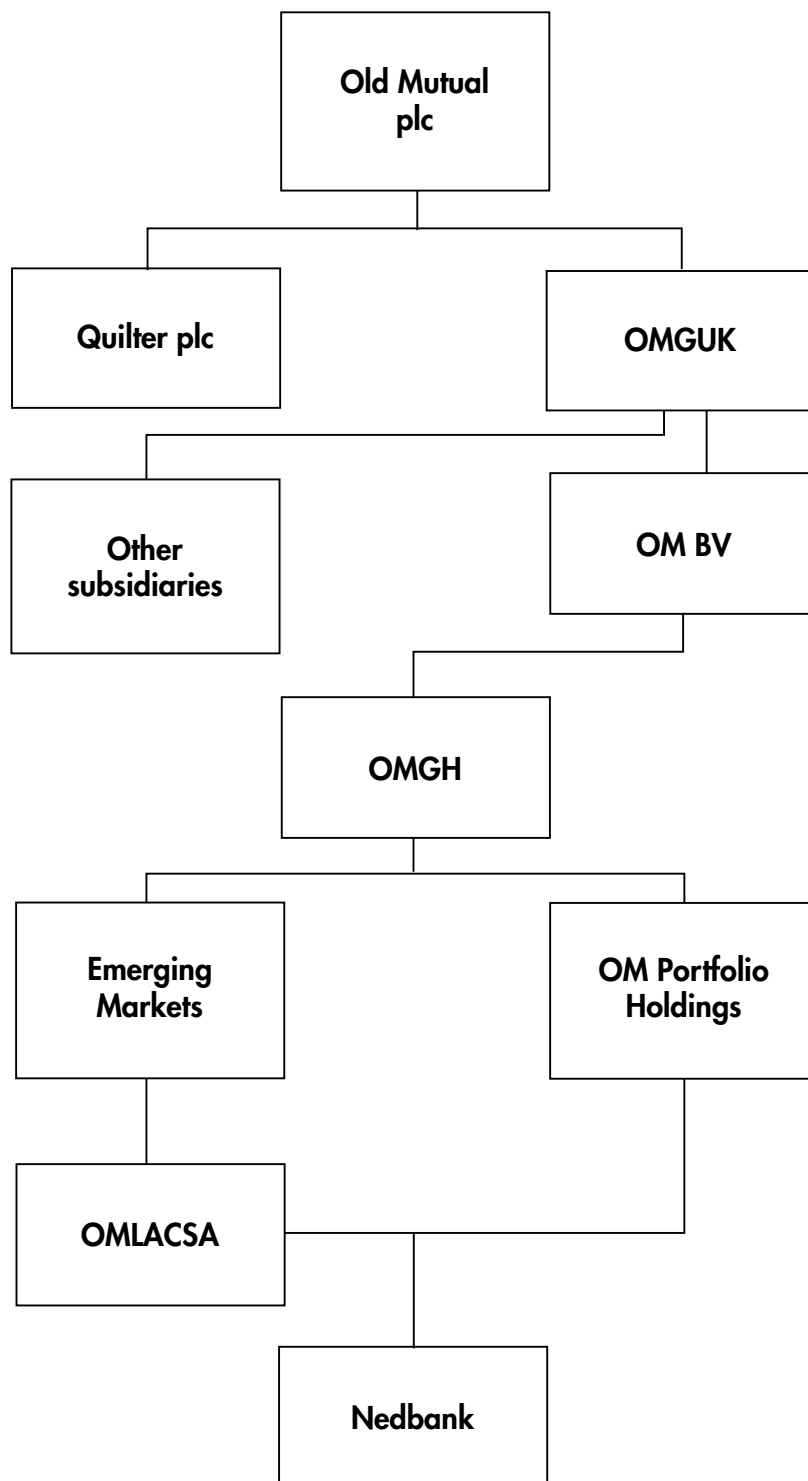
It was also announced that, at an appropriate time following the Admission of the Company, a significant portion of the Group's shareholding in Nedbank would be distributed in an orderly manner to the Shareholders on the Register (as defined in Annexe 18 to this Pre-listing Statement) at that time. The Emerging Markets business would, thereafter, become the principal business within the Group, which would retain an appropriate minority stake of 19.9% of the issued share capital in Nedbank in its shareholder funds.

Old Mutual plc also announced that it intended to continue the phased reduction of its then 65.8% holding in the United States-based asset management business, OMAM, in an orderly manner and that the Old Mutual plc Group intended to materially reduce Old Mutual plc's debt and wind down the activities performed by its head office in London.



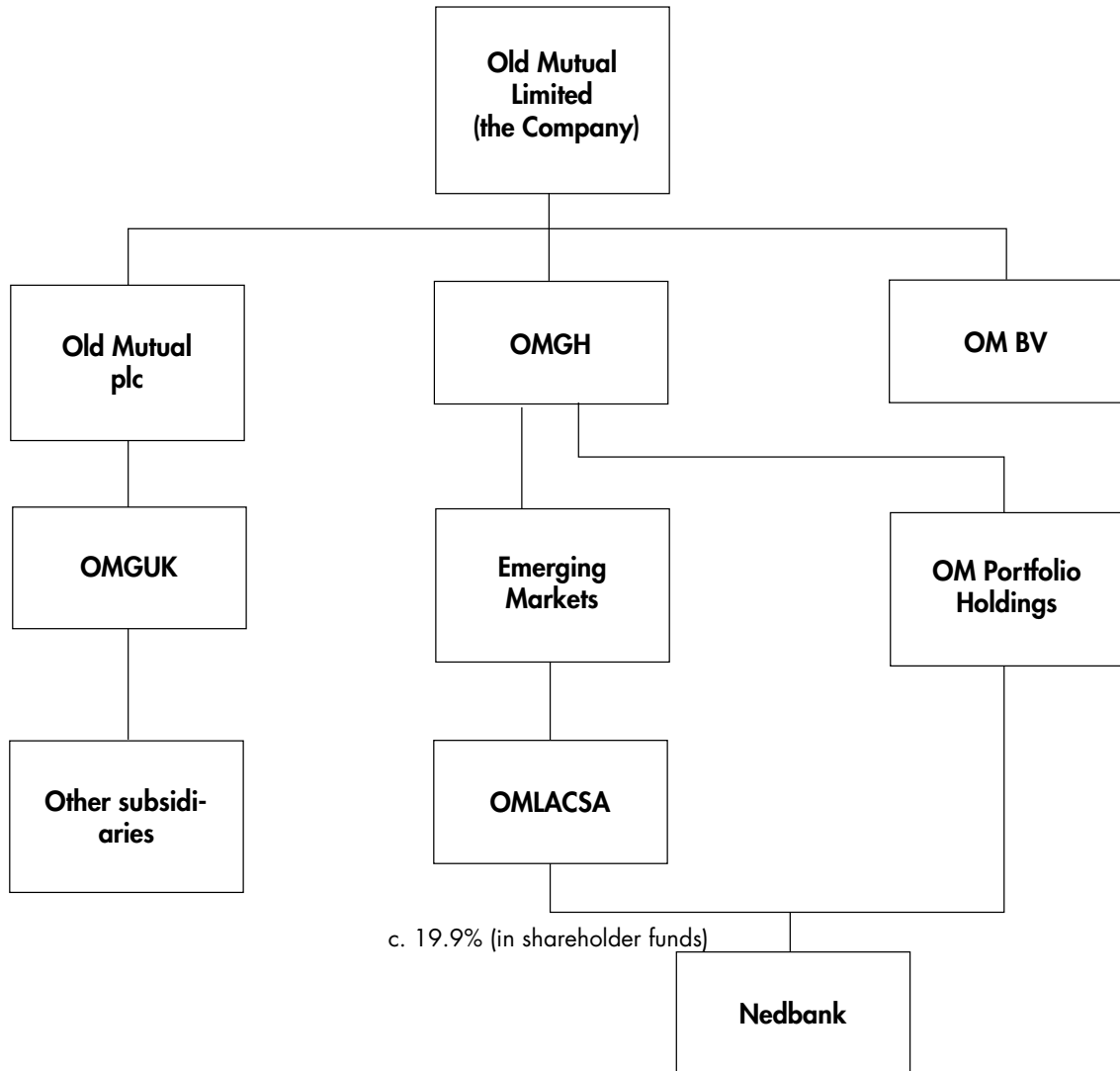
## 2. Before and After Organograms

### 2.1 As at the Last Practicable Date



c. 52% (in shareholder funds)

## 2.2 Following Managed Separation



### Proposed Finalisation of the Managed Separation

#### 2.3 Overview of Proposals

It is now proposed the Managed Separation will be finalised in 3 principal steps, as follows:

- The first step involves the listing of Quilter plc and the distribution of 86.6% of the total issued share capital of Quilter plc to the Old Mutual plc Shareholders, as well as the expected divestment of up to 9.6% of the total issued share capital of Quilter plc by way of a cash placing of Quilter plc Shares to institutional investors, the related over-allotment option and the NED Share Purchase. The remaining 3.8% of the total issued share capital of Quilter plc is held by the JSOP Trustee on behalf of certain management and staff of Quilter plc.
- The second step, which takes place on the day after the first, involves the listing of the Company in order to establish the domicile and primary listing venue of the Group in South Africa. Immediately prior to the Admission, the Company, which is a South African domiciled and regulated entity, will become the holding company of the Old Mutual plc Group. After the second step, Old Mutual plc will have no ongoing businesses and none of the operating companies in the current Old Mutual plc Group will be direct or indirect subsidiaries of Old Mutual plc.
- The third step is the proposed Nedbank Unbundling approximately 6 months after the implementation of the first two steps, whereby the Company intends, subject to certain conditions (set out in the Scheme Circular), to distribute 32% of the total issued share capital of Nedbank (and will, in any event, distribute at least 30% of the total issued share capital of Nedbank) to Shareholders on the Register at the Nedbank Unbundling Record Time, whilst retaining a minority stake of 19.9% in Nedbank in its shareholder funds.

These steps can only be implemented if the requisite approvals, including approval by Old Mutual plc Shareholders, are obtained for all steps. The first and second steps, except for the Quilter plc Share Sale, will require Court sanctioned processes known as schemes of arrangement, including a reduction of capital and resulting augmentation of the distributable reserves of Old Mutual plc. Further detail on the schemes of arrangement is set out the Scheme Circular.

## 2.4 **Admissions**

The Company is incorporated in South Africa and, as set out more fully herein, application has been made for it to have a primary listing on the main board of the JSE and for it to be admitted to the standard listing segment of the UK Official List and admitted to trading on the LSE's main market for listed securities. The Company has also applied for secondary listings on the Namibian Stock Exchange, the Zimbabwe Stock Exchange and the Malawi Stock Exchange.

Nedbank is incorporated in South Africa and has a primary listing on the main board of the JSE and has a secondary listing on the Namibian Stock Exchange.

Quilter plc is incorporated in England and Wales and application has been made for it to be admitted to the premium listing segment of the UK Official List and admitted to trading on the LSE's main market for listed securities and for it to have a secondary inward listing on the main board of the JSE. Inward listed shares on the JSE traded and settled in Rand are classified as domestic for South African exchange control purposes. South African investors will therefore be able to acquire and hold Quilter plc Shares without affecting institutional foreign portfolio investment allowances or foreign exposure limits.

Provided Old Mutual plc Shareholders do not dispose of their Old Mutual plc Shares prior to the Second Scheme Record Time, Old Mutual plc Shareholders will, once the Proposals to finalise the Managed Separation are implemented, receive:

for every 3 Old Mutual plc Shares they hold:

- 1 Quilter plc Share; and
- 3 Ordinary Shares,

and they will no longer hold any shares in Old Mutual plc.

Old Mutual plc Shareholders who sell or otherwise transfer their Old Mutual plc Shares prior to the First Scheme and Demerger Record Time will not receive any Quilter plc Shares or Ordinary Shares.

## 2.5 **Nedbank Unbundling**

Approximately 6 months after the Admissions the Company intends, subject to certain conditions, to distribute 32% of the total issued share capital of Nedbank (and will in any event, distribute at least 30% of the total issued share capital of Nedbank) to Shareholders on the Register at the Nedbank Unbundling Record Time, whilst retaining a minority stake of 19.9% in Nedbank in its shareholder funds.

The exact number and value of Nedbank shares that each Shareholder receives will be determined by a number of factors at the time of the Nedbank Unbundling, including the total number of Ordinary Shares and Nedbank shares in issue and the market value of the Nedbank shares.

For illustrative purposes only, as at the close of trading on 31 December 2017, the value of the Nedbank shares expected to be distributed had an aggregate market value of R40,719,900,000, equivalent to £2,430,023,274 (based on 159,000,000 Nedbank shares being distributed, a closing price of R256.10 on that day and a Rand: Pound Sterling exchange rate of 16.757: 1). If the number of Ordinary Shares in issue immediately after the Admission of the Company were to remain constant until the time of the Nedbank Unbundling, then based on the illustrative figures above:

for every 100 Ordinary Shares held, Shareholders will receive:

- approximately 3 ordinary shares in Nedbank.

Only Shareholders on the Register at the Nedbank Unbundling Record Time will receive Nedbank shares through the Nedbank Unbundling and, therefore, if Shareholders sell their Ordinary Shares before that time, they will not receive Nedbank shares in the Nedbank Unbundling.

The 19.9% shareholding in Nedbank was determined through negotiations with Nedbank and discussions with the SARB and the FSB in order to provide stability to the broader financial system and the Nedbank and Company investor bases during the Managed Separation, whilst also supporting ongoing commercial arrangements. The Group is committed to being a significant minority shareholder of Nedbank with board nomination rights while retaining a right to review its precise holding as appropriate from time to time, in accordance with the protocols outlined in the New Nedbank Relationship Agreement, which was entered into with Nedbank on or around the date of this Pre-listing Statement. This will govern the terms of the relationship upon completion of the Nedbank Unbundling and replace the Historic Nedbank Relationship Agreement.

## 2.6 ***Terms and conditions***

The detailed terms and conditions of the finalisation of the Managed Separation are set out in the Scheme Circular.

As part of Managed Separation, the Company, Old Mutual plc and Quilter plc have entered into a number of agreements relating to the Quilter plc Demerger (as defined in Annexe 18 to this Pre-listing Statement). For further information on these proposed Separation Agreements (as defined in Annexe 18 to this Pre-listing Statement), please see Annexe 15 to this Pre-listing Statement.

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## PART XX

### ADDITIONAL INFORMATION

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Unless expressly provided or indicated otherwise by the context, this section of this Pre-listing Statement has been prepared on the basis of the Group as it would have existed if the Second Scheme Effective Time had occurred on the Last Practicable Date.

#### 1. **Responsibility**

The Company and the Directors, whose names are set out in paragraph 1.1 of “Part VIII – Management and Corporate Governance” of this Pre-listing Statement, collectively and individually accept full responsibility for the information contained herein and certify that, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Pre-listing Statement is in accordance with the facts and there is no omission likely to affect the import of such information or make any statement false or misleading, and that this Pre-listing Statement contains all information required by the JSE Listings Requirements and the UK Prospectus Rules as well as, to the extent applicable, the Malawi Stock Exchange Listings Requirements, the Namibian Stock Exchange Listings Requirements and the Zimbabwe Stock Exchange Listings Requirements.

#### 2. **Summary of the Company MOI and Certain Explanatory Statements in Respect of Applicable Law and Regulation Affecting Shareholders**

The information below contains a summary of the Company MOI and certain explanatory statements in respect of applicable law and regulations affecting Shareholders. The information below, as well as the extracts of the Company MOI set out in Annexe 14 to this Pre-listing Statement, do not constitute legal advice, and do not purport to be exhaustive of Shareholders’ rights in terms of applicable law and have been inserted for Shareholders’ information purposes only.

The Company MOI, adopted by a special resolution of the Company passed on 5 April 2018, contains, *inter alia*, provisions to the following effect:

##### 2.1 **Objects**

Section 19(1)(b) of the Companies Act provides that a company has the powers and capacity of a natural person or individual of full capacity except to the extent that a juristic person is incapable of exercising any such power, or having such capacity, the Company MOI provides otherwise. There are no restrictions on the objects of the Company in the Company MOI and the objects of the Company are therefore unrestricted.

##### 2.2 **Rights attaching to shares**

###### *Voting rights*

Subject to the Company MOI generally and to any special rights or restrictions as to voting attached to any class of shares, at a meeting of the Company, every Shareholder who is present (in person or by proxy) and entitled to exercise voting rights has 1 vote on a show of hands (irrespective of the number of voting rights that person would otherwise be entitled to exercise) and on a poll every Shareholder who is present (in person or by proxy) has the number of votes determined in accordance with the voting rights associated with the Ordinary Shares held by that Shareholder. A Shareholder may at any time appoint any natural person (or 2 or more natural persons concurrently), including a person who is not a Shareholder, as a proxy to represent that Shareholder at any meeting and to exercise any rights of the Shareholder at a Shareholders’ meeting. While any of the Ordinary Shares are listed on the JSE, the record date for the purposes of determining Shareholder rights (including the right to participate in and vote at a Shareholders meeting) will be determined in accordance with the JSE Listings Requirements.

###### *Joint holders*

Where there are joint registered Shareholders of any Ordinary Share, any 1 of such persons may exercise all of the voting rights attached to that Ordinary Share at any meeting, either personally or by proxy, as if he were solely entitled thereto. If more than 1 of such joint holders are present at any meeting, personally or by proxy, the person so present whose name stands first in the securities register of the Company in respect of such Ordinary Share shall alone be entitled to vote in respect thereof.

##### 2.3 **Distributions**

Subject to the Companies Act and the FSR Act, the Board or, on recommendation of the Board, the Shareholders by ordinary resolution, may at any time authorise and/or declare a distribution to be paid to the Shareholders of any class in proportion to the number of shares held by them in that class, if such distribution is (i) pursuant to an existing legal obligation of the Company, or a court order, or (ii) authorised by resolution of the Board. The Board may from time to time declare and pay to the Shareholders such interim distributions as the Directors consider to be appropriate.

Without detracting from the ability of the Company to issue capitalisation shares, any distribution may be paid wholly or in part (i) by the distribution of specific assets, (ii) by the issue of shares, debentures or securities of the Company or of any other company, (iii) in cash, or (iv) in any other way which the Directors may at the time of declaring the distribution determine, including granting to the Shareholders a right of election between receiving any distribution in cash or in the form of the distribution of specific assets. Where any difficulty arises in regard to such distribution, the Directors may settle that difficulty as they think expedient, and in particular may fix the value which shall be placed on such specific assets on distribution.

Distributions payable in cash shall be declared in Rand, provided that the Board, in its discretion and on such terms and conditions as it may determine, authorise the payment of any distribution to a non-resident Shareholder in any foreign currency requested by the non-resident Shareholder or determined by the Board at the cost, expense and risk of the non-resident Shareholder in question.

Distributions unclaimed for a period of not less than 3 years from the date on which such distributions became payable may, at the discretion of the Board, be declared forfeit for the benefit of the Company. However, all dividends shall be held by the Company in trust for the benefit of the Shareholders, until lawfully claimed by the Shareholders, subject to the provisions of the Company MOI and the laws of prescription from time to time, or until the Company is wound up.

Subject only to the provisions of any law to the contrary, distributions may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be chargeable.

#### **2.4 Dividend Access Trusts**

Old Mutual plc currently has Dividend Access Trusts in place in South Africa, Malawi, Namibia and Zimbabwe in order to facilitate the payment of dividends to various shareholders registered on the Old Mutual plc SA Register, Old Mutual plc Malawian Register, Old Mutual plc Namibian Register and Old Mutual plc Zimbabwean Register (as defined in Annexe 18 to this Pre-listing Statement). It is anticipated that the Company will establish Dividend Access Trusts in Malawi, Namibia and Zimbabwe and that the Old Mutual plc Dividend Access Trusts in South Africa, Malawi, Namibia and Zimbabwe will be wound up in due course. Refer to Annexe 14 to this Pre-listing Statement for an extract of the provisions of the Company MOI dealing with the Dividend Access Trust arrangements.

#### **2.5 Variation of rights**

Subject to the Companies Act, the Shareholders may by a special resolution, amend the Company MOI, in order to vary the preferences, rights, limitations and other terms of any issued or unissued shares.

Despite anything to the contrary in the Company MOI, every issued share has associated with it an irrevocable right of the Shareholder to vote on any proposal to amend the preferences, rights, limitations and other terms associated with that share.

#### **2.6 Transfer of shares**

Subject to any applicable restrictions (whether by virtue of the preferences, rights, limitations or other terms associated with the securities in question), any Shareholder or holder of certificated securities may transfer all or any of its certificated securities by instrument in writing in any usual or common form or any other form which the Directors may approve. The instrument of transfer of any certificated security must be signed by the transferor and the transferor will be deemed to remain the shareholder of that certificated security until the name of the transferee is entered in the securities register of the Company.

Every instrument of transfer must be delivered to appointed transfer secretaries of the Company, accompanied by the certificate issued in respect of the certificated securities to be transferred and/or such other evidence as the Company may require to prove the title of the transferor, or its right to transfer the certificated securities.

The Directors may decline to recognise any instrument of transfer unless it is accompanied by the certificate of the certificated securities to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and unless the securities transfer tax thereon has been paid.

A transfer of uncertificated securities of the Company must be effected in terms of section 53 of the Companies Act read with the rules of the relevant CSDP.

#### **2.7 Disclosure of interests in shares**

Section 122(1) of the Companies Act requires a person to notify the Company within 3 business days if that person acquires a beneficial interest in any class of securities issued by the Company, as a result of which that person holds a beneficial interest amounting to 5% or any whole multiple of 5% of that class of issued securities. A beneficial interest, when used in relation to a company's securities, means the right or entitlement of a person (through ownership, agreement, relationship or otherwise, alone or together with another person) to (i) receive or participate in any distribution in respect of the company's securities, (ii) exercise or cause to be exercised,

in the ordinary course, any or all of the rights attaching to the company's securities, or (iii) dispose or direct the disposition of the company's securities, or any part of a distribution in respect of the securities, but excludes any interest held by a person in a unit trust or collective investment scheme in terms of the Collective Investment Schemes Control Act.

In addition, a person must notify the Company if that person disposes of a beneficial interest in a class of securities of the Company, as a result of which that person no longer holds a beneficial interest in securities amounting to a particular multiple of 5% of the issued securities of that class.

The above requirements apply to a person irrespective of whether (i) the person acquires or disposes of any securities directly or indirectly or individually or in concert with any other person or persons, or (ii) that person holds the stipulated percentage of securities alone, or in aggregate together with any related or inter-related person, and any person who has acted in concert with any person.

The Company must file a notice it receives in terms of section 122 with the Takeover Regulation Panel and report the information to the holders of the relevant class of securities, unless the notice concerned a disposition of less than 1% of the class of securities. In addition, the JSE Listings Requirements provides that a listed company that has received a notice in terms of section 122 of the Companies Act must, within 48 hours of receipt of such notice, publish the information in the notice on the Stock Exchange News Service of the JSE, save in respect of notices received related to a disposal of less than 1% of the relevant class of securities.

## 2.8 **Issues of shares**

The Board may, subject to the applicable provisions of the Companies Act, the FSR Act, and the JSE Listings Requirements, resolve to issue shares of the Company at any time, within the classes and to the extent that those shares have been authorised by or in terms of the Company MOI.

The Board shall have the authority, as contemplated in section 47 of the Companies Act, to:

- approve the issuing of any authorised shares as capitalisation shares on a *pro rata* basis to the Shareholders of 1 or more classes of shares;
- issue shares of 1 class as capitalisation shares in respect of shares of another class; or
- resolve to permit Shareholders to elect to receive a cash payment *in lieu* of a capitalisation share, provided that the Board may not resolve to do so unless it (i) has considered the solvency and liquidity test, as required by section 46 of the Companies Act, on the assumption that every such Shareholder would elect to receive cash, and (ii) is satisfied that the Company would satisfy the solvency and liquidity test immediately upon the completion of the distribution.

Unless Shareholder approval is required in terms of the Companies Act or the JSE Listings Requirements, the Board has the authority to allot and issue securities with Shareholder approval. In terms of the Companies Act, Shareholder approval is required for an issue of more than 30% of the existing securities or an issue to Directors. In terms of the JSE Listings Requirements, Shareholder approval is required in respect of issues of shares for cash, whether as a general or specific authority, as contemplated in the JSE Listings Requirements.

Any proposed issue of equity securities in the Company will be subject to pre-emptive rights of the Shareholders who already hold issued securities in the class of equity securities proposed to be issued, as set out in the Company MOI, save in relation to an acquisition of assets and other instances outlined in the Company MOI.

## 2.9 **General meetings**

The Company shall convene annual general meetings of its Shareholders from time to time in accordance with the provisions of the Companies Act and the JSE Listings Requirements. The Board, or any prescribed officer or Shareholder of the Company authorised by the Board, is further entitled to call a Shareholders' meeting at any time.

The Board may determine the location of any Shareholders' meeting, and the Company may hold any meeting in South Africa or in any foreign country.

A notice of a Shareholders' meeting must be delivered at least 15 business days before the date on which the meeting is to begin to the Shareholders, the auditors of the Company and, if expressly required in terms of an instrument appointing a proxy, to the proxy or proxies of a Shareholder. A meeting may be called on a shorter period of notice if every person who is entitled to exercise voting rights in respect of any item on the meeting agenda is present at the meeting and votes to waive the required minimum notice of the meeting.

The accidental omission to give notice of any meeting to any particular Shareholder or Shareholders who, either alone or together, hold 5% or less of the Ordinary Shares in the Company shall not invalidate any resolution passed at any such meeting.

There is no limitation on the period for which a Shareholders' meeting may be adjourned.

A Shareholders' meeting may not begin until:

- if the Company has more than 2 Shareholders, at least 3 Shareholders are present at the meeting; and
- sufficient Shareholders are present at the meeting (or represented by proxy) to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least 1 matter to be decided at the meeting.

A matter to be decided at the Shareholders' meeting may not begin to be considered unless:

- if the Company has more than 2 Shareholders, at least 3 Shareholders are present (or represented by proxy) at the meeting; and
- sufficient Shareholders are present (or represented by proxy) at the meeting to exercise, in aggregate at least 25% of all the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda.

## 2.10 ***Directors' appointments, retirements and removals***

The Board shall comprise not less than the minimum number of Directors as is required by the Companies Act, the JSE Listings Requirements, the FSR Act and the Company MOI. Under the JSE Listings Requirements, an issuer of JSE-listed equity securities must at least have 4 Directors.

The Shareholders shall be entitled at a general meeting of the Company to elect all of the Directors (and their alternates) for the time being and from time to time, by a separate ordinary resolution with respect to each such Director and each alternate. The Shareholders further have the right to nominate persons for appointment as Directors; but no individual Shareholder has a direct appointment right.

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 Company MOI), or (ii) as an addition to the Board, provided that, such appointment must be confirmed by the Shareholders at the next annual general meeting.

The elected Directors shall rotate as follows:

- at the 1<sup>st</sup> annual general meeting of the Company, all the elected Directors shall retire from office, and at each subsequent annual general meeting (or other general meeting held on an annual basis) one third of the non-executive Directors for the time being, or if their number is not 3 or a multiple of 3, the number nearest to one third, but not less than one third, shall retire from office;<sup>1</sup>
- if an elected Director is appointed as CEO, CFO or as an employee of the Company in any other capacity, the contract under which he is appointed may provide that he shall not, while he continues to hold that position or office, be subject to retirement by rotation and he shall not, in such case, be taken into account in determining the rotation or retirement of Directors;
- the elected 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;
- life directorships and directorships for an indefinite period are not permitted;
- a retiring Director shall act as a Director throughout the meeting at which he or she retires and may be re-elected, provided that such Director is eligible;
- the Shareholders of the Company, at the general meeting at which any Director retires in the above manner, or at any other general meeting, may fill the vacancy by electing a person thereto.

A Director may also hold any other office in the Group other than that of auditor, and may also hold office as director or manager of, or in any other capacity, in any other company in which the Company is a shareholder or is otherwise interested. Such a Director will not be liable to account to the Company for any remuneration or other benefits receivable by him from such other company. The appointment of a Director in any other capacity and his remuneration must be determined by a disinterested quorum of Directors.

## 2.11 ***Alternate Director***

The Shareholders shall be entitled to elect the alternates for Directors at a general meeting of the Company where those Directors are elected, by a separate ordinary resolution with respect to each such alternate. If the Shareholders do not elect an alternate with respect to any Director, the Board shall be entitled to appoint such alternate(s). Such alternate may not be a person previously proposed to the Shareholders as an alternate or as a Director but who was not elected by the Shareholders when put to the vote.

<sup>1</sup> For the purposes of clause 29.7.1 of the Company MOI, when determining the identity of the Directors who have been longest in office since their last election, and notwithstanding the retirement of all elected Directors at the 1<sup>st</sup> annual meeting of the Company as contemplated in clause 29.7.1 of the Company MOI, consideration shall also be given to the date of appointment of any Director as non-executive director to the board of directors of Emerging Markets and/or Old Mutual plc (whichever occurred earlier), for so long as any such Director served in such capacity prior to being appointed to the Board.



### 2.12 ***Directors' meetings***

Save to the extent provided otherwise in the Company MOI, the Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit.

The Directors may elect a chairperson and a deputy chairperson or lead independent Director and determine the period for which each is to hold office. The chairperson, or in his absence the deputy chairperson or lead independent Director, shall be entitled to preside over all meetings of Directors. If no chairperson or deputy chairperson or lead independent Director is elected, or if at any meeting neither is present or willing to act as chairperson thereof within 10 minutes of the time appointed for holding the meeting, the Directors present shall choose 1 of their number to be chairperson of such meeting.

In addition to the provisions of the Companies Act, any Director shall at any time be entitled to call a meeting of the Directors.

The quorum requirement for a meeting of Directors (including an adjourned meeting) shall be a majority of the total number of Directors.

Each Director has 1 vote on a matter before the Board.

A majority of the votes cast on a resolution is sufficient to approve that resolution and, in the case of a tied vote, the chairperson shall not have a casting vote and the matter being voted on fails.

A resolution that could be voted on at a Board meeting may instead be submitted for consideration to each Director and voted on in writing by Directors entitled to exercise voting rights on that matter. Such a resolution will have been adopted if it has been supported in writing by the requisite majority of the Directors in person who are entitled to exercise voting rights on the resolution proposed, and, if so adopted, such a resolution will have the same effect as if it had been adopted at a Board meeting.

### 2.13 ***Directors' interests in contracts***

If a Director has a personal financial interest (as contemplated in section 75 read with section 1 of the Companies Act, being a material direct economic interest) in respect of a matter to be considered at a meeting of the Board, or knows that a related person has a personal financial interest in the matter, that Director must disclose the interest and its general nature before the matter is considered at the meeting. The Director must further disclose to the meeting any material information relating to the matter, and known to the Director and may disclose any observations or pertinent insights relating to the matter if requested to do so.

A Director must, if present at a meeting, leave the meeting immediately after making any disclosure of a personal financial interest that the Director or a related person of the Director has and must not take part in the consideration of the matter. While absent from the meeting, the Director will be regarded as being present at the meeting for the purpose of determining whether sufficient Directors are present to constitute the meeting, but will not be regarded as being present at the meeting for the purpose of determining whether a resolution has sufficient support to be adopted.

Such a Director must not execute any document on behalf of the Company in relation to the matter unless specifically requested or directed to do so by the Board.

### 2.14 ***Directors' fees and expenses***

The Company may pay remuneration to the Directors for their service as directors in accordance with a special resolution approved by the Shareholders within the previous 2 years.

Any Director who:

- serves on any executive or other committee;
- devotes special attention to the business of the Company;
- goes or resides outside of South Africa for the purpose of the Company; or
- otherwise performs or binds himself to perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director,

may, to the extent that any such payment does not constitute remuneration for his or her services as a Director as contemplated in the Companies Act (which requires approval by special resolution of the Shareholders) be paid such extra remuneration or allowances in addition to or in substitution of the remuneration to which he may be entitled as a Director, as a disinterested quorum of the Directors may from time to time determine.

The Directors may also be paid all reasonable travelling and other expenses necessarily incurred by them in connection with the business of the Company and attending meetings of the Directors or of committees of the Board.

### 2.15 **Directors' liabilities**

The Company shall be entitled, to the extent permitted in terms of the Companies Act, to advance expenses to a Director and/or directly or indirectly indemnify a Director in respect of the defence of legal proceedings arising out of the Director's service to the Company and to indemnify a Director in respect of any liability. The Company may further purchase insurance to protect a Director against any liability or expenses for which the Company is permitted to indemnify a Director or to protect the Company against any contingency, including any liability for which it may indemnify a Director and any expenses that it is permitted to advance to a Director or for which it is permitted to indemnify a Director.

The same applies *mutatis mutandis* in respect of any former Director, prescribed officer or member of any committee of the Board, including the Audit Committee.

### 2.16 **Borrowing powers**

The Directors may from time to time exercise all of the powers of the Company to borrow for the purposes of the Company such sums as they think fit and to secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of any securities, mortgage or charge upon all or any of the property or assets of the Company.

### 2.17 **Mandatory takeover bids, squeeze-out and sell-out rules**

The Company will be subject to the provisions of Chapter 5 of the Companies Act (which regulate fundamental transactions, takeovers and offers) and the Takeover Regulations (as defined in Annexe 18 to this Pre-listing Statement), including the provisions regarding mandatory offers, compulsory acquisitions and squeeze outs.

Under section 123 of the Companies Act, if (i) the Company re-acquires any of its voting securities (in terms of a repurchase or a scheme of arrangement) or a person acting alone has (or 2 or more related or inter-related persons, or 2 or more persons acting in concert, have) acquired a beneficial interest in voting rights attached to any securities issued by the Company, such that (ii) before that acquisition a person was (or persons, as contemplated, were) able to exercise less than 35% of the voting rights attached to securities of the Company; and (iii) as a result of that acquisition, together with any other securities of the Company already held by the person (or persons), they are able to exercise at least 35% of all the voting rights attached to securities of the Company, then, within 1 business day after the date of the acquisition, the person(s) in whom the voting rights vest must give notice to the holders of the remaining securities, offering to acquire any such remaining securities. A written offer to acquire the remaining securities on terms determined in accordance with the Companies Act and the Takeover Regulations must be delivered to the holders of the remaining securities within 1 month after the notice.

Under section 124(1) of the Companies Act, if, within 4 months after the date of an offer for the acquisition of any class of securities of the Company, that offer has been accepted by the holders of at least 90% of that class of securities, other than any such securities held before the offer by the offeror, a related or inter-related person, or such persons acting in concert, or a nominee or subsidiary of any such person or persons, then within 2 months, the offeror may notify the holders of the remaining securities of the class and after giving notice, the offeror is entitled, and bound, to acquire the securities concerned on the same terms that applied to securities whose holders accepted the original offer. Within 30 days after receiving such a notice, a person may apply to court for an order that the offeror is not entitled to acquire the applicant's securities of that class or imposing conditions of acquisition different from those of the original offer.

If an offer for the acquisition of any class of securities of the Company results in the acquisition by the offeror or a nominee or subsidiary of the offeror, or a related or inter-related person of any of them, individually or in aggregate, of sufficient securities of that class such that, together with any other securities of that class already held by that person, or those persons in aggregate, they then hold at least 90% of the securities of that class, then the offeror must notify the holders of the remaining securities of the class that the offer has been accepted to that extent and within 3 months after receiving such a notice, a person may demand that the offeror acquire all of the person's securities of the class concerned. The offeror will be entitled, and bound, to acquire the securities concerned on the same terms that applied to securities whose holders accepted the original offer.

The Company's securities will also be subject to the comparable and partial offer procedures in the Companies Act. Under section 125(2) of the Companies Act, if (i) the Company re-acquires any of its voting securities of a particular class or 1 or more particular classes (in terms of a repurchase or a scheme of arrangement) and, as a result, a person or a number of related persons hold securities of the Company entitling the person or persons to exercise more than 35% of the general voting rights associated with all the issued securities of the Company, or (ii) a person acting alone, or 2 or more persons acting in concert, make an offer for any securities of the Company, which, if accepted, could result in a person, or a number of related or inter-related persons holding securities of the Company entitling the person or persons to exercise more than 35% of the general voting rights associated with all issued securities of the Company, that person or those persons acting in concert must make a comparable offer to acquire securities of each class of issued securities of the Company.

## 2.18 **Fundamental transactions**

The Company will further be subject to the provisions of Chapter 5 of the Companies Act, which regulate fundamental transactions and the appropriate provisions of the JSE Listings Requirements. The fundamental transactions provided for in Part A of Chapter 5 comprise (i) a disposal of all or the greater part of the assets or undertaking of a company, (ii) an amalgamation or merger, and (iii) a scheme of arrangement.

The Company may only dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking or implement an amalgamation or a merger or scheme of arrangement, if the transaction has been approved by a special resolution of the Shareholders in compliance with section 115 of the Companies Act.

Despite a special resolution having been adopted, a fundamental transaction will require court approval if the resolution approving it was opposed by at least 15% of voting rights exercised on the resolution and any person who voted against the resolution demands (within 5 business days after the vote) that the Company seeks court approval, or, alternatively, where the court grants leave to a person who voted against the resolution to apply for a review of the transaction. If a resolution requires approval by a court, the Company must either apply to the court for approval, bearing the costs of the application, or treat the resolution as a nullity. The court may set aside such a resolution only if it is manifestly unfair to any class of holders of the Company's securities or if the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Companies Act, the Company MOI or any applicable rules of the Company or any other significant and material procedural irregularity.

In addition, an amalgamation or merger must comply with the requirements under section 113 of the Companies Act, in terms of which (i) the amalgamating or merging parties must enter into a written agreement which sets out the terms and means of effecting the amalgamation or merger and other prescribed matters, (ii) the Board and the board of every other amalgamating or merging company must reasonably believe that each proposed amalgamated or merged company will satisfy the solvency and liquidity test upon implementation of the amalgamation or merger agreement, and (iii) a notice of the amalgamation or merger must be given to every known creditor of the Company.

A scheme of arrangement must comply with the further requirements under section 114 of the Companies Act, in terms of which the Company will be required to appoint an independent expert, who satisfies the requirements in the Companies Act, to prepare a report on the scheme of arrangement to the Board and cause the report to be distributed to all the Shareholders. A scheme of arrangement includes any arrangement between the Company and the holders of any class of its securities, by way of, *inter alia*, (i) a consolidation of securities of different classes, (ii) a division of securities into different classes, (iii) an expropriation of securities from the holders, (iv) exchanging of any of its securities for other securities, (v) a re-acquisition by the Company of its securities, or (vi) a combination of these methods.

In the event of a disposal of all or the greater part of the assets or undertaking of the Company, the assets must be fairly valued, as calculated in the prescribed manner, as set out in section 112 of the Companies Act.

As long as the Company is a public company it will be a regulated company for purposes of Chapter 5 of the Companies Act and the Takeover Regulations. As a regulated company, the Company may not implement any fundamental transaction as contemplated above, unless the Takeover Regulation Panel has issued a compliance certificate in respect of the transaction in terms of section 119(4)(b) of the Companies Act or exempted the transaction in terms of section 119(6) of the Companies Act.

## 2.19 **Shareholder appraisal rights**

If a special resolution to enter into a fundamental transaction, as contemplated above, or to amend the Company MOI is adopted, the holder of any voting rights in the Company is entitled to seek relief in terms of section 164 of the Companies Act if that person (i) notified the Company in advance of the Shareholder's intention to oppose the resolution, (ii) was present at the meeting and voted against that resolution, and (iii) in the case of a resolution amending the Company MOI, holds shares of a class that is materially and adversely affected by the amendment. If a Shareholder complies with the aforementioned requirements and all the procedural requirements, the Shareholder may demand that the Company pay the Shareholder the fair value for all the shares of the Company held by that Shareholder in accordance with section 164 of the Companies Act.

## 2.20 **Special resolutions**

In terms of section 65(11) of the Companies Act, the Company requires the prior approval of the Shareholders by way of special resolution to:

- amend the Company MOI, to the extent required by the Companies Act, and to ratify a consolidated revision of the Company MOI;
- ratify actions by the Company or the Board in excess of their authority;
- issue shares or securities or grant rights in certain circumstances;
- authorise the Board to grant financial assistance as contemplated in sections 44 and 45 of the Companies Act;

- approve a decision of the Board for a re-acquisition of the Company's shares if (i) any shares are to be acquired by the Company from a Director or prescribed officer, or a person related to a Director or prescribed officer, and (ii) considered alone or together with other transactions in an integrated series of transactions, it involves the acquisition by the Company of more than 5% of the issued shares of any particular class of the Company's shares;
- authorise the basis for compensation to the Directors;
- approve the voluntary winding up of the Company;
- approve an application to transfer the registration of the Company to a foreign jurisdiction;
- approve any proposed fundamental transaction, to the extent required by Part A of Chapter 5 of the Companies Act; or
- revoke a resolution that gave rise to Shareholders' appraisal rights under section 164.

For a special resolution to be approved, it must be supported by at least 75% of the voting rights exercised on the resolution.

### 3. **Information on the Major Subsidiary, Other Significant Subsidiary Undertakings and Strategic Alliances**

Details of the Company's Major Subsidiary, other significant subsidiary undertakings and certain of the Group's strategic alliances are set out in Annexe 11 to this Pre-listing Statement. See "Listings Requirements Dispensations" in relation to the dispensation granted by the JSE Limited in relation to the disclosure of information on Nedbank in this Pre-listing Statement.

### 4. **Principal Immovable Properties Held or Occupied**

The Company and its Major Subsidiary hold or occupy 2 principal immovable properties, which are owned by the Group, and do not lease any principal immovable properties from third parties. Details of the principal immovable properties held or occupied by the Company and its Major Subsidiary (which, for the purpose of the UK Prospectus Rules, comprise the existing material tangible fixed assets of the Group) are set out in Annexe 12 to this Pre-listing Statement. None of the Directors has any material interest in any of the immovable properties held or occupied by the Company and its Major Subsidiary.

### 5. **Property Acquired or to be Acquired**

Save for in relation to, or as envisaged by, the Managed Separation, there were no material acquisitions of property (as envisaged in the JSE Listings Requirements) by the Company or its Major Subsidiary or by any subsidiary where the acquisitions were material to the Company in the 3 years preceding the date of this Pre-listing Statement. As at the date of this Pre-listing Statement, and save for in relation to or as envisaged by the Managed Separation, there are no proposed material acquisitions by the Company or its Major Subsidiary or any other subsidiary where the acquisition will be material to the Company of any property (as envisaged in the JSE Listings Requirements), and there are no options to acquire any such property, nor have the Directors made any firm commitments concerning any principal future investments by the Group.

None of the Directors or the promoters has a material beneficial interest in any of the properties referred to above.

See "Listings Requirements Dispensations" in relation to the dispensation granted by the JSE Limited in relation to the disclosure of information on acquisitions or proposed acquisitions of property by the Old Mutual plc Group as at the Second Scheme Effective Time.

### 6. **Disposal of Property**

Save for in relation to or as envisaged by the Managed Separation and as disclosed in "Material Contracts" below in relation to the disposal of the business operated in Latin America, there were no disposals of material property (as envisaged in the JSE Listings Requirements) by the Company, the Major Subsidiary or any subsidiary in the 3 years preceding the date of this Pre-listing Statement. As at the date of this Pre-listing Statement and save for in relation to or as envisaged by the Managed Separation, there are no proposed disposals of material property by the Company, the Major Subsidiary or any subsidiary and there are no options to dispose of any such material property.

See "Listings Requirements Dispensations" in relation to the dispensation granted by the JSE Limited in relation to the disclosure of information on disposals or proposed disposals of property by the Old Mutual plc Group as at the Second Scheme Effective Time.

### 7. **Third-Party Management**

The Group outsources and procures certain functions and services externally to third parties. The Group's business, or any part of it, is, however, not managed, or proposed to be managed, by any third-party under a contract of management.

## 8. **Material Capital Commitments**

Other than disclosed in the Historical Financial Information of the Company and the Historical Financial Information of the Old Mutual plc Group, there were no material capital commitments of the Company as at 31 January 2018 and the Group as at 31 December 2017. No portion of these commitments relates to commitments authorised but not contracted for.

## 9. **Material Contingent Liabilities**

Other than disclosed in the Historical Financial Information of the Company and the Historical Financial Information of the Old Mutual plc Group, there were no material contingent liabilities of the Company and the Group as the Last Practicable Date.

## 10. **Lease Payments**

As at the Last Practicable Date, there are no material lease payments payable by the Group.

See Annexe 13 to this Pre-listing Statement for further information in relation to the intra-group lease arrangements.

## 11. **Loan Capital and Material Loans**

Details of the material borrowings of the Group as at 31 December 2017 are set out in Annexe 13 to this Pre-listing Statement.

The Company has no debentures in issue as at the date of this Pre-listing Statement.

No restrictive funding arrangements have been entered into by the Company, its Major Subsidiary, or by any subsidiaries where such restrictive funding arrangements are material to the Company.

Neither the Company nor any of its subsidiaries has any material loans receivable outstanding as at the date of this Pre-listing Statement.

Save as envisaged in Annexe 13 to this Pre-listing Statement, no loans have been made or security furnished by the Company to or for the benefit of any Director or manager as at the date of this Pre-listing Statement.

Details of material inter-company financial and other transactions as at 31 December 2017 are set out in Annexe 13 to this Pre-listing Statement.

## 12. **Interests of Advisers and Promoters and Amounts Paid or Payable to Promoters**

As at the Last Practicable Date, none of the advisers, as set out in "Part III – Corporate Information" on page 50 of this Pre-listing Statement, holds any Ordinary Shares or has agreed to acquire any Ordinary Shares.

The Group has not paid any amount and no amount (in cash or otherwise) is payable to any promoters (not being a Director or officer of the Company) or to any partnership, syndicate or other association of which the promoter was a member during the 3 years preceding the date of this Pre-listing Statement.

From time to time, in the ordinary course of their respective businesses, the Joint Financial Advisers and their affiliates have engaged, and may in the future engage, in commercial or investment banking transactions with the Company.

No promoter, Director or officer of the Company has any beneficial interest, direct or indirect, in the Joint Financial Advisers. Trevor Andrew Manuel serves as a senior adviser to the Rothschild & Co Group (the group of Rothschild entities) and as the non-executive chairperson *pro tem* of Rothschild. He is not involved in advising the Company and, accordingly, his involvement does not present a conflict of interest and/or impair his or Rothschild's independence and objectivity in his/its professional dealings with the Company.

## 13. **Litigation**

Save as described below, there are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware) during the period covering at least the previous 12 months preceding the date of this Pre-listing Statement that may have, or have had in the recent past, a significant effect on the Group's financial position or profitability.

On 6 December 2011, ABSA initiated an action in the South African High Court against Nedbank whereby ABSA alleges that Nedbank had breached a legal duty to ABSA in relation to certain single stock futures transactions relating to the Pinnacle Point Group Limited. The total value of ABSA's claim is R773 million. On 30 November 2011, New Port Finance Company Proprietary Ltd ("New Port Finance") and Winifred Trust initiated actions in the High Court against ABSA alleging that ABSA had breached a legal duty to them in relation to the same transactions. The total value of New Port Finance and Winifred Trust's claims against ABSA are R405 million and R65 million, respectively. In November 2016, ABSA joined Nedbank as a third party to the actions initiated by New Port Finance and Winifred

Trust claiming that, should ABSA be found liable under these claims, ABSA should be entitled to claim a contribution from Nedbank in relation to the award payable by ABSA. Nedbank's counsel is of the view that Nedbank has a strong case to successfully resist both matters.

#### **14. Material Contracts**

Annexe 15 to this Pre-listing Statement sets out:

- details of contracts, other than contracts entered into in the ordinary course of business, that have been entered into by the Company or any of the subsidiaries of the Group (i) within the 2 years immediately preceding the date of this Pre-listing Statement and are material to the Company or any of the subsidiaries of the Group or (ii) at any time and contain provisions under which the Company or any of the subsidiaries of the Group has an obligation or entitlement which is material to the Group as at the date of this Pre-listing Statement;
- details of material contracts as contemplated in the JSE Listings Requirements entered into by the Company, its Major Subsidiary, or by any subsidiaries where such contracts are material to the Company; and
- particulars of the material inter-company transactions during the 2 years preceding the date of this Pre-listing Statement (as set out in Annexe 13 to this Pre-listing Statement).

There are no existing or proposed contracts relating to royalties payable by the Company or its Major Subsidiary.

Save for the service fee of R20,000 paid to CoSec Consulting Services, there are no existing or proposed contracts relating to secretarial fees payable by the Company or its Major Subsidiary.

There are no existing or proposed contracts relating to technical fees payable by the Company or its Major Subsidiary.

#### **15. Related Party Transactions**

Save as disclosed elsewhere in this Pre-listing Statement, there are no related party transactions between the Company or any of the subsidiaries of the Group that were entered into during the financial years ended 31 December 2015, 2016 and 2017 or during the period from 31 December 2017 to the date of this Pre-listing Statement.

#### **16. Government Protection and Investment Encouragement Laws**

The Group does not benefit from any government protection or investment encouragement law affecting its business.

#### **17. Working Capital Statement**

In the opinion of the Company and the Directors, the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least the next 12 months following the date of this Pre-listing Statement.

#### **18. Significant Change**

There has been no significant change in the trading or financial position of the Old Mutual plc Group since 31 December 2017, the date to which the Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes was prepared.

There has been no significant change in the trading or financial position of the Company since 31 January 2018, the date to which the Historical Financial Information of the Company was prepared.

#### **19. Other JSE Confirmations**

Other than pursuant to the Managed Separation, there have been no changes in the trading objects of the Group or significant changes in the business of the Group during the 5 years prior to the Last Practicable Date.

#### **20. Listings Requirements Dispensations**

JSE Limited, Malawi Stock Exchange Limited, Namibian Stock Exchange Limited, UKLA and Zimbabwe Stock Exchange Limited have made rulings, granted dispensations and given confirmations in relation to the Admissions and this Pre-listing Statement. Each of the Malawi Stock Exchange Limited, Namibian Stock Exchange Limited and Zimbabwe Stock Exchange Limited have granted a dispensation from this Pre-listing Statement complying with the Malawi Stock Exchange Listings Requirements, the Namibian Stock Exchange Listings Requirements and the Zimbabwe Stock Exchange Listings Requirements in reliance on the JSE Listings Requirements, as the Company will be secondary listed on the Malawi Stock Exchange, Namibian Stock Exchange and Zimbabwe Stock Exchange. Subject to the rulings made, dispensations granted and confirmations given, this Pre-listing Statement complies with the form and content requirements of the JSE Listings Requirements and the UKLA Rules.

Pursuant to certain dispensations granted by JSE Limited, this Pre-listing Statement does not contain the prescribed disclosures of the JSE Listings Requirements relating to:

- Nedbank, notwithstanding that Nedbank will constitute a major subsidiary (as envisaged in the JSE Listings Requirements) of the Company on the Second Scheme Effective Time. For further information in this regard, Shareholders are referred to Nedbank's public disclosures. Nedbank's public disclosures are not part of this Pre-listing Statement and are not incorporated by reference herein; and
- material acquisitions or proposed acquisitions, and disposals or proposed disposals, of property by Old Mutual plc as at the Second Scheme Effective Time. For further information in this regard, Shareholders are referred to Old Mutual plc's public disclosures. Old Mutual plc's public disclosures are not part of this Pre-listing Statement and are not incorporated by reference herein.

In addition, for purposes of the JSE Listings Requirements, Old Mutual plc will not constitute a major subsidiary of the Company on the Admission Date.

## 21. Expenses

The Old Mutual plc Group expects to incur one-off advisory costs of at least R1,746 million during the period of implementing the Managed Separation. This estimate is sensitive to how the Managed Separation is executed and subject to stakeholder and market dependencies. Transaction costs will be incurred and deducted from proceeds, where possible, in line with accounting policies.

The Company has not incurred any preliminary expenses (within the meaning of the JSE Listings Requirements) over the last 3 financial years. The expenses of the Admissions, which are estimated to be in the sum of approximately R277.9 million, shall be paid by the Group.

The following table sets out the total estimated expenses of the Admissions:

	(R million)
Joint Financial Adviser – Merrill Lynch International	58.6
JSE sponsor – Merrill Lynch South Africa Proprietary Limited <sup>(1)</sup>	-
Joint Financial Adviser – Rothschild (South Africa) Proprietary Limited	44.4
The Company's international legal adviser – Linklaters LLP	26.9
The Company's South African legal adviser – Webber Wentzel	43.7
The Company's Malawian legal adviser – Savjani & Co	2.0
The Company's Namibian legal adviser – Engling, Stritter and Partners	2.0
The Company's Zimbabwean legal adviser – Dube, Manikai & Hwacha Legal Practitioners	2.0
Merrill Lynch's South African and international legal adviser – Herbert Smith Freehills South Africa Inc. and Herbert Smith Freehills LLP <sup>(2)</sup>	1.5
Auditor and independent reporting accountant for JSE-purposes – KPMG Inc.	14.4
Independent reporting accountant for PD Regulation Purposes – KPMG LLP	26.6
Admission and document inspection fees <sup>(3)</sup>	1.8
Malawian Sponsor – Stockbrokers Malawi Limited	0.6
Namibian Sponsor – PSG Wealth Management (Namibia) Proprietary Limited	0.3
Zimbabwean Sponsor – Imara Edwards Securities (Private) Limited	0.3
Other expenses and disbursements <sup>(4)</sup>	52.8
<b>Total estimated expenses and fees<sup>(5)</sup></b>	<b>277.9</b>

### Notes:

1. No expenses are expected to be incurred for the JSE Sponsor – Merrill Lynch South Africa in addition to the expenses expected to be paid to Merrill Lynch International as Joint Financial Adviser as outlined above.
2. This expense represents the agreed maximum amount that will be reimbursed to Merrill Lynch International in respect of its South African and international legal adviser – Herbert Smith Freehills South Africa Inc. and Herbert Smith Freehills LLP.
3. This expense represents the total amount expected to be incurred for document inspection in South Africa, UK, Malawi, Namibia and Zimbabwe in relation to the Admissions.
4. Includes irrecoverable VAT in the UK, cost of insurance advice and disbursements to professional advisers.
5. The total estimated expenses for the Admissions differs from the amount of expenses included in the *Pro-forma* Financial Information of the Group as the *Pro-forma* Financial Information of the Group includes other costs associated with implementing the Schemes and only for the period from 1 January 2018 until the transaction date.

## 22. Consents

Merrill Lynch South Africa, JSE sponsor to the Company, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

Merrill Lynch International, Joint Financial Adviser to the Company, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

Rothschild, Joint Financial Adviser to the Company, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

KPMG Inc., auditor and independent reporting accountant for JSE purposes, has given and has not withdrawn its written consent to (i) the inclusion of its reports in the form and context in which they appear as set out in Annexe 2A and Annexe 6A of this Pre-listing Statement in the form and context in which they appear and (ii) the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

KPMG LLP, independent reporting accountant for PD Regulation Purposes, has given and has not withdrawn its written consent to the inclusion of its reports set out in Annexe 2B and Annexe 6B of this Pre-listing Statement in the form and context in which they appear, and has authorised the contents of its reports for the purposes of item 5.5.3R(2)(f) of the UK Prospectus Rules.

Linklaters LLP, international legal adviser to the Company, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

Webber Wentzel, South African legal adviser to the Company, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

Herbert Smith Freehills LLP, international legal adviser to Merrill Lynch, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

Herbert Smith Freehills South Africa Inc., South African legal adviser to Merrill Lynch, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

Savjani & Co, Malawian legal adviser to the Company, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

Engling, Stritter and Partners, Namibian legal adviser to the Company, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

Dube, Manikai & Hwacha Legal Practitioners, Zimbabwean legal adviser to the Company, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

Brunswick, communications manager to the Company, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

Stockbrokers Malawi Limited, sponsor to the Company on the Malawi Stock Exchange, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

PSG Wealth Management (Namibia) Proprietary Limited, sponsor to the Company on the Namibian Stock Exchange, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

Imara Edwards Securities (Private) Limited, sponsor to the Company on the Zimbabwe Stock Exchange, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

National Bank of Malawi, transfer secretary to the Company in Malawi, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

Transfer Secretaries Proprietary Limited, transfer secretary to the Company in Namibia, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.



Link Market Services South Africa Proprietary Limited (the "SA Registrar"), transfer secretary to the Company in South Africa, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

Corpserv Share Transfer Secretaries (Private) Limited, transfer secretary to the Company in Zimbabwe, has given and has not withdrawn its written consent to the issue of this Pre-listing Statement with the inclusion herein of the references to its name in the form and context in which it appears.

### **23. Documents Available for Inspection**

Copies of the following documents will be available for inspection at the Company's registered office and the Sponsor's offices set out in "Part III – Corporate Information" during Business Hours (as defined in Annexe 18 to this Pre-listing Statement) from the date of issue of this Pre-listing Statement until the Admission Date:

- the Company MOI and the memorandum of incorporation of its Major Subsidiary;
- the Report of Historical Financial Information of the Old Mutual plc Group as of and for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017;
- the Historical Financial Information of the Company for the period from 29 May 2017 to 31 January 2018;
- a signed copy of this Pre-listing Statement;
- the reports of KPMG Inc., the auditors and independent reporting accountants for JSE purposes, dated 13 April 2018, which are included as Annexes 2A, 4, and 6A to this Pre-listing Statement;
- the reports of KPMG LLP, the independent reporting accountant for PD Regulation Purposes, dated 20 April 2018, which are included as Annexe 2B and Annexe 6B to this Pre-listing Statement;
- the written consents of each of the legal advisers, the Joint Financial Advisers, communications adviser, Sponsors and transfer secretaries named in this Pre-listing Statement to act in those capacities;
- the written consent of KPMG Inc., the auditors and independent reporting accountants for JSE purposes, to the publication of their reports included as Annexes 2A, 4 and 6A to this Pre-listing Statement and references thereto in the form and context in which they are included in this Pre-listing Statement;
- the written consent of KPMG LLP, the Independent reporting accountant for PD Regulation Purposes, to the publication of their reports included as Annexes 2B and 6B to this Pre-listing Statement and references thereto in the form and context in which they are included in this Pre-listing Statement;
- copies of the material contracts referred to in "Material contracts" above;
- the OMSAN Nominee Terms and Conditions;
- the OMNAN Nominee Terms and Conditions;
- the Scheme Circular; and
- the template service agreements referred to in Annexe 9 to this Pre-listing Statement.

Signed at Johannesburg on behalf of the Company in terms of a resolution by the Directors.

By order of the Board

20 April 2018

**Mthandazo Peter Moyo**

*(Chief Executive Officer)*

**Trevor Andrew Manuel**

*(Chairman)*

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## **PART XXI**

### **INDEPENDENT REPORTING ACCOUNTANTS**

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The Report of Historical Financial Information of the Old Mutual plc Group for JSE Purposes as of and for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 is included in Annexes 1A, 1C and 1D to this Pre-listing Statement is the subject of KPMG Inc.'s independent reporting accountant's report included in Annexe 2A to this Pre-listing Statement.

The Report of Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes as of and for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 is included in Annexes 1B and 1C to this Pre-listing Statement is the subject of KPMG LLP's independent reporting accountant's report for the purpose of the PD Regulation included in Annexe 2B to this Pre-listing Statement.

## BASIS OF COMPILATION AND REPORTING ON THE HISTORICAL FINANCIAL INFORMATION OF THE OLD MUTUAL PLC GROUP

The Historical Financial Information of the Old Mutual plc Group as at and for the 3 financial years ended 31 December 2017 is set out in Annexes 1A, 1B, 1C and 1D as follows:

- Annexe 1C: Report of Historical Financial Information of the Old Mutual plc Group, including financial information, accounting policies and notes including the consolidated financial information, accounting policies and notes to the consolidated financial information;
- Annexe 1D: Selected Notes to the Historical Financial Information of the Old Mutual plc Group solely for JSE purposes;
- Annexe 1A: Basis of Preparation in Respect of the Report of Historical Financial Information of the Old Mutual plc Group for JSE Purposes, including basis of preparation in respect of Annexes 1C and 1D for purposes of the Admission of the Company on the JSE;
- Annexe 1B: Basis of Preparation in respect of the Report of Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes, including basis of preparation in respect of Annexe 1C for purposes of the UK Prospectus Regime and the UK Admission;
- Annexes 1A, 1C and 1D together jointly form the Historical Financial Information of the Old Mutual plc Group for JSE Purposes; and
- Annexes 1B and 1C together jointly form the Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes.

Although the independent reporting accountant's report and basis of preparation required to comply with the JSE Listings Requirements is different to that required to comply with the UK Prospectus Regime, no adjustments have been required to Annexe 1C to this Pre-listing Statement under the 2 regimes.

The reason for 2 bases of preparation, namely, Annexes 1A and 1B is that the accounting frameworks used for the preparation of the Historical Financial Information of the Old Mutual plc Group for the purposes of the Admission on the JSE and for purposes of the UK Prospectus Regime for Admission to the UK Official List and trading on the LSE are different in terms of the regulatory requirements of each of the JSE and the UK Prospectus Regime.

In addition, the reporting requirements under which the reporting accountant's reports are prepared for purposes of the JSE and the UK Prospectus Regime are different, necessitating the issuance of a reporting accountant's report by KPMG Inc. for purposes of the Admission of the Company on the JSE and a separate reporting accountant's report by KPMG LLP for PD Regulation Purposes.

The differences are as follows:

- The JSE requires an audit opinion, prepared in terms of International Auditing Standards, to be issued in respect of the financial year ended 31 December 2017 and review conclusions, prepared in accordance with International Standard on Review Engagement 2400 (Revised), Engagements to Review Historical Financial Statements to be issued in respect of the years ended 31 December 2016 and 2015. The reporting accountant's report for JSE purposes, issued by KPMG Inc. is set out in Annexe 2A to this Pre-listing Statement. The accounting framework for the preparation of the Historical Financial Information of the Old Mutual plc Group for JSE Purposes is 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 is set out in Annexe 1A to this Pre-listing Statement; and
- The UK Prospectus Regime requires that the Pre-listing Statement includes 3 years of audited Historical Financial Information in respect of the years ended 31 December 2017, 2016 and 2015. In compliance with the PD Regulation, an independent reporting accountant's report prepared in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom has been issued by KPMG LLP on the Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes, set out in Annexes 1B and 1C to this Pre-listing Statement. This report is set out in Annexe 2B to this Pre-listing Statement. The financial information that has been prepared for the purposes of and in accordance with the requirements of the UK Prospectus Regime has been prepared and approved by the Directors in accordance with IFRS. IFRS comprise standards and interpretations approved by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee. This Historical Financial Information does not constitute statutory accounts within meaning of section 434 of the UK Companies Act and is set out in Annexe 1B to this Pre-listing Statement.

## BASIS OF PREPARATION IN RESPECT OF THE OLD MUTUAL PLC REPORT OF HISTORICAL FINANCIAL INFORMATION OF THE OLD MUTUAL PLC GROUP FOR JSE PURPOSES

As detailed in the Pre-listing Statement, Old Mutual plc is undergoing a Managed Separation and internal restructuring, subsequent to which the Company intends to admit its issued Ordinary Shares to listing and trading on the main board of the JSE. The consolidated Historical Financial Information included in this report relates to the Old Mutual plc Group. From an income statement and statement of comprehensive income point of view, the continuing operations represent the principal business activities for the Group, subsequent to the Managed Separation. The discontinued operations comprise Old Mutual Asset Management plc ("OMAM"), Quilter plc and Nedbank. The consolidated statement of financial position set out in Annexe 1C consolidates Quilter plc and Nedbank in non-current assets held for sale for the 2017 financial year. OMAM was sold during the 2017 financial year and is therefore not consolidated in the statement of financial position for the 2017 financial year. At the date of this Pre-listing Statement, the Company is a dormant South African company. Immediately prior to the Admissions, the Company will be inserted as the holding company of Old Mutual plc pursuant to the Second Scheme as part of the Managed Separation.

### 1. Basis of preparation

The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of cash flows and the consolidated statements of changes in equity for years ended 31 December 2017, 2016 and 2015, the consolidated statements of financial position as at 31 December 2017, 2016 and 2015, accounting policies and the notes thereto ("Historical Financial Information for 2017, 2016 and 2015") have been prepared in accordance with IFRS, the Financial Reporting Guides as issued by SAICA's Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, for the purposes of providing financial information to satisfy the requirements of Section 8 of the JSE Listings Requirements and for no other purpose.

The Historical Financial Information for 2017, 2016 and 2015 includes the disclosures required in terms of paragraphs 8.11 and 8.12, where applicable, of the JSE Listings Requirements. The Old Mutual plc Group statutory financial statements ("Statutory Financial Statements") are prepared in accordance with IFRS as endorsed by the EU and an explanation of the principal difference between the Statutory Financial Statements and the Audited General Purpose Financial Statements and the Reviewed General Purpose Financial Statements is included in note J9.

The Directors are responsible for Annexe 1A: Basis of preparation in respect of the Report of Historical Financial Information of the Old Mutual plc Group for JSE Purposes, Annexe 1C: Report of Historical Financial Information of the Old Mutual plc Group included in this Pre-listing Statement and Annexe 1D: Selected notes to the Old Mutual plc Group financial information solely for JSE Purposes. The Historical Financial Information for 2017, 2016 and 2015 was approved by the Board at a meeting on 13 March 2018.

KPMG Inc. is the independent reporting accountant to the Company and has issued the reporting accountant's report on these Annexes 1A, 1C and 1D to this Pre-listing Statement.

### 2. Additional disclosure in terms of paragraphs 8.11 and 8.12 of the JSE Listings Requirements

#### *Headline earnings per share*

The Group is required to calculate headline earnings per share ("HEPS") in accordance with the JSE Listings Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 02/2015 'Headline Earnings'. Accordingly the Group presents both HEPS and diluted Headline Earnings per share ("Basic HEPS"). Disclosure of HEPS and Basic HEPS is not a requirement of IFRS, but is a commonly used measure of earnings in South Africa. The key adjusting items to profit for the year attributable to the equity holders of the parent to arrive at Headline Earnings and Adjusted Headline Earnings is set out in Annexe 1D.

#### *Net asset value and net tangible asset value per share*

The Group is required to calculate net asset value and net tangible asset value per share in accordance with paragraph 8.11 of the JSE Listings Requirements. These disclosures are included as note C2 to Annexe 1C to this Pre-listing Statement.

#### *Directors' commentary*

The Group is required to include commentary on the historical financial information in accordance with paragraph 8.12 of the JSE Listings Requirements. This disclosure is included in Annexe 1C to this Pre-listing Statement under the heading "Directors' Commentary".

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## BASIS OF PREPARATION IN RESPECT OF THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF THE OLD MUTUAL PLC GROUP FOR PD REGULATION PURPOSES

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### Basis of preparation

As detailed in the Pre-Listing Statement, Old Mutual plc is undergoing a Managed Separation and internal restructuring, subsequent to which the Company intends to be admitted to the UK Official List and to trading on the LSE's Main Market for listed securities.

The consolidated Historical Financial Information included in this report relates to the Old Mutual plc Group in accordance with the UK Prospectus Regime for the purpose of the UK Admission. From an income statement and statement of comprehensive income point of view, the continuing operations represent the principal business activities for the Group, subsequent to the Managed Separation. The discontinued operations comprise OMAM, Quilter plc and Nedbank. The consolidated statement of financial position set out in Annexe 1C consolidates Quilter plc and Nedbank in non-current assets held for sale for the 2017 financial year. OMAM was sold during the 2017 financial year and is therefore not consolidated in the statement of financial position for the 2017 financial year. At the date of this Pre-listing Statement, the Company is a dormant South African company. Immediately prior to the Admissions, the Company will be inserted as the holding company of Old Mutual plc pursuant to the Second Scheme as part of the Managed Separation.

#### 1. Basis of preparation

The Report of Historical Financial Information of the Old Mutual plc Group for the purposes of the UK Prospectus Regime and the UK Admission comprises the consolidated results and financial position of Old Mutual plc Group as at and for the years ended 31 December 2017, 31 December 2016 and 31 December 2015.

The financial information that has been prepared for the purposes of and in accordance with the requirements of the UK Prospectus Regime has been prepared and approved by the Directors in accordance with IFRS. IFRS comprise standards and interpretations approved by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee. This Historical Financial Information does not constitute statutory accounts within the meaning of section 435 of the UK Companies Act for the financial years ended 31 December 2015, 2016 and 2017. All of those statutory accounts have been reported on by Old Mutual plc's auditor and those for 2015 and 2016 have been delivered to the registrar of companies and those for 2017 will be delivered in due course. The report of the auditor on all these statutory accounts were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the UK Companies Act.

The Old Mutual plc Group Statutory Financial Statements were prepared in accordance with IFRS as endorsed by the EU and an explanation of the principal difference between the Statutory Financial Statements and the Historical Financial Information is included in note J9.

The Directors are responsible for this Annexe 1B: Basis of preparation in respect of the Report of Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes and Annexe 1C: Report of Historical Financial Information of the Old Mutual plc Group included in this Pre-listing Statement.

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**REPORT OF HISTORICAL FINANCIAL INFORMATION OF THE OLD MUTUAL PLC GROUP**


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## DIRECTORS' COMMENTARY

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### IFRS ANALYSIS OF THE 2017 FINANCIAL YEAR COMPARED TO THE 2016 FINANCIAL YEAR

#### Net earned premiums

Net earned premiums for the 2017 financial year was R65,743 million, a decrease of R2,263 million, or 3%, from R68,006 million for the 2016 financial year. This was due to lower flows in the Old Mutual Corporate segment within Emerging Markets, and an increase in outward reinsurance premiums in Old Mutual Insure. This was offset by higher business volumes in the Mass and Foundation Cluster.

#### Investment return

Investment return (non-banking) for the 2017 financial year was R93,921 million, an increase of R56,466 million, or 151%, from R37,455 million for the 2016 financial year. This increase was due primarily to higher market returns on listed instruments experienced across most of the Group's businesses, especially South Africa and Zimbabwe, resulting in fair value gains recognised in profit and loss.

#### Fee and commission income, and income from service activities

Fee and commission income, and income from service activities for the 2017 financial year was R11,547 million, an increase of R282 million, or 3%, from R11,265 million for the 2016 financial year. This increase was due to growth in base fee income fees on higher assets under management.

#### Net claims and benefits incurred (including change in insurance contract provisions)

Net claims and benefits incurred expenses for the 2017 financial year was R86,349 million, an increase of R21,354 million, or 33%, from R64,995 million for the 2016 financial year. This increase was due primarily to higher investment returns in South Africa and Zimbabwe contributing to a higher change in insurance contract provision. There were also higher benefit payments in the Old Mutual Corporate segment within Emerging Markets segment compared to the prior year.

#### Change in investment contract liabilities

Change in investment contract liabilities for the 2017 financial year was R30,359 million, an increase of R19,491 million, or 179%, from R10,868 million for the 2016 financial year. The primary driver of this increase was the higher market returns experienced in South Africa and Rest of Africa which resulted in the increase of asset values and the associated policyholder liabilities backing these assets.

#### Other operating and administrative expenses

Other operating and administrative expenses for the 2017 financial year was R26,993 million, an increase of R1,707 million, or 7%, from R25,286 million for the 2016 financial year. This increase was due primarily to higher operating costs in the Mass and Foundation Cluster due to expansion of the branch footprint and the impact of higher remuneration cost in Old Mutual Insure.

#### Income tax expense

Income tax expense for the 2017 financial year was R4,118 million, an increase of R1,280 million, or 45%, from R2,838 million for the 2016 financial year. The IFRS effective tax rate decreased to 43% in the 2017 financial year from 47% in the 2016 financial year. Stripping out the effect of policyholder tax, which adds volatility and is market dependant, the primary drivers for the decrease was the reduction in the unrecognised losses in Residual plc in the 2017 financial year and a higher base in the 2016 financial year due to a one off increase in capital gains tax rates in South Africa. This was partially offset by the impact of non-tax deductible impairments of goodwill together with fluctuations caused by changes in the type and location of profits earned, which are taxed at different tax rates.

#### Profit after tax from continuing operations

Profit from continuing operations after tax for the 2017 financial year was R5,512 million, an increase of R2,266 million, or 70%, from R3,246 million for the 2016 financial year. This increase was due primarily to the factors above.

Residual plc incurred a loss from continuing operations attributable to equity holders of R3,704 million, an increase of R1,080 million, or 41%, from a loss from continuing operations attributable to equity holders of R2,624 million in the 2016 financial year. This was driven by increased Managed Separation costs offset by an increase in operating profits of Bermuda in line with the run off profile of this business.

### **Profit after tax from discontinued operations**

Profit from discontinued operations after tax for the 2017 financial year was R14,852 million, an increase of R1,282 million, or 9%, from R13,570 million for the 2016 financial year.

Nedbank's Headline Earnings for the 2017 financial year was R11,787 million, an increase of R322 million, or 3%, from R11,465 million for the 2016 financial year. This was a result of reduced impairments and tight cost management, which was offset by slower than expected revenue growth. Nedbank's profit from discontinued operations attributable to equity holders for the 2017 financial year was R6,411 million, an increase of R794 million, or 14%, from R5,617 million for the 2016 financial year.

Profit from discontinued operations attributable to equity holders relating to OMAM was R218 million for the 2017 financial year, a decrease of R1,206 million, or 85%, from R1,424 million in the 2016 financial year, as a result of the completion of the sell down of OMAM. Consequently, OMAM was consolidated in the Group's results for only four months of the 2017 financial year compared to a full year in the 2016 financial year.

Old Mutual Wealth's profit from discontinued operations attributable to equity holders for the 2017 financial year was R1,451 million, an increase of R1,494 million from a loss of R43 million for the 2016 financial year. The increase is a result of higher performance in the Single Strategy business and due to a lower base in the 2016 financial year which included a goodwill impairment of R917 million as a result of the sale of Old Mutual Wealth Italy.

### **IFRS ANALYSIS OF THE 2016 FINANCIAL YEAR COMPARED TO THE 2015 FINANCIAL YEAR**

#### **Net earned premiums**

Net earned premiums for the 2016 financial year was R68,006 million, an increase of R5,904 million, or 10%, from R62,102 million for the 2015 financial year. This was driven primarily by strong premium growth in smoothed bonus products which was partly offset by an increase in outward reinsurance premiums in Life and Savings. Net earned premiums in Property and Casualty increased in the 2016 financial year mainly due to the consolidation of UAP in the 2016 financial year, with only 6 months included in the consolidated results of the 2015 financial year.

#### **Investment return**

Investment return for the 2016 financial year was R37,455 million, a decrease of R11,091 million, or 23%, from R48,546 million for the 2015 financial year.

Lower market returns in most of the Group's businesses resulted in fair value losses in the 2016 financial year. The primary driver of this decrease was the lower market returns experienced in the South African segments. This was partially offset by higher returns in Rest of Africa resulting primarily from improved performance of the Zimbabwean equity markets. The fair value losses in the 2016 financial year were further offset by increased dividend income.

#### **Fee and commission income, and income from service activities**

Fee and commission income, and income from service activities for the 2016 financial year was R11,265 million, an increase of R1,047 million, or 10%, from R10,218 million for the 2015 financial year. This was mainly due to an increase in fee and commission income, primarily attributed to Life and Savings in South Africa, as well as fee and commission growth in the Rest of Africa segment.

#### **Net claims and benefits incurred (including change in insurance contract provisions)**

Net claims and benefits incurred for the 2016 financial year was R64,995 million, an increase of R4,534 million, or 7%, from R60,461 million for the 2015 financial year.

Net claims and benefits increased due to the consolidation of UAP in the 2016 financial year, with only 6 months included in the consolidated results of the 2015 financial year. Increased claims paid in Old Mutual Insure, primarily due to challenging trading conditions, resulted in a higher claims ratio that was partially offset by increased reinsurance recoveries in line with the increased claims.

There was an increase in insurance contract provisions, being claims and benefits due but not paid, and the associated expense in Rest of Africa. The key driver was improved market conditions in Zimbabwe, which resulted in an increase in policyholder assets and associated liabilities related to smoothed bonus products, which are classified as insurance contract provisions.

#### **Change in investment contract liabilities**

Change in investment contract liabilities for the 2016 financial year was R10,868 million, a decrease of R11,413 million, or 51%, from R22,281 million for the 2015 financial year. The primary driver of this decrease was the lower market returns experienced in South Africa in the 2016 financial year which resulted in a reduction in asset values and the associated policyholder liabilities backing these assets.



### **Other operating and administrative expenses**

Other operating and administrative expenses for the 2016 financial year was R25,286 million, an increase of R2,145 million, or 9%, from R23,141 million for the 2015 financial year. This increase in the 2016 financial year was due to an impairment of goodwill in UAP, inflationary growth in staff and other operating costs and the consolidation of UAP in the 2016 financial year, with only 6 months included in the consolidated results of the 2015 financial year.

### **Income tax expense**

The income tax expense for the 2016 financial year was R2,838 million, a decrease of R69 million, or 2.4%, from R2,907 million for the 2015 financial year. The effective tax rate increased from 44% in 2015 to 47% in 2016, which was primarily driven by higher losses in Residual plc, a non deductible goodwill impairment in UAP and an increase in capital gains tax rates in South Africa. This was partially offset by the positive tax impacts of changes in the profit mix between countries having different tax rates. The Group's effective tax rate was higher than the South African corporate tax rate due to the inclusion of policyholder tax and the impact of unrecognised Residual plc losses on which tax relief has not been recognised.

### **Profit after tax from continuing operations**

Profit from continuing operations after tax for the 2016 financial year was R3,246 million, a decrease of R492 million, or 13.2%, from R3,738 million for the 2015 financial year. This decrease was due primarily to the factors described above.

For the 2016 financial year, Residual plc incurred a loss of R2,624 million, a decrease of R331 million, or 12%, from a loss of R2,955 million in the 2015 financial year, driven by an improvement in the operating losses in Bermuda and fair value gains, partly offset by increased head office costs.

### **Profit after tax from discontinued operations**

Profit from discontinued operations after tax for the 2016 financial year was R13,570 million, an increase of R165 million, or 1.2%, from R13,405 million for the 2015 financial year.

Nedbank's Headline Earnings for the 2016 financial year was R11,465 million, an increase of R634 million, or 6%, from R10,831 million for the 2015 financial year. Nedbank delivered a robust performance in the 2016 financial year, with growth from managed operations offset by an equity-accounted loss from Ecobank. Excluding Ecobank, Headline Earnings from Nedbank's managed operations grew 16.2%. Nedbank's profit from discontinued operations attributable to equity holders for the 2016 financial year was R5,617 million, a decrease of R404 million, or 7%, from R6,021 million for the 2015 financial year, a decrease of R404 million, or 7%, from the 2015 financial year, primarily due to the impact of a R676 million equity-accounted loss from Ecobank, offset by net interest income and non-interest revenue growth in Nedbank's managed operations.

Profit from discontinued operations attributable to equity holders relating to OMAM was R1,424 million for the 2016 financial year, an increase of R152 million, or 12%, from R1,272 million in the 2015 financial year driven by an increase in management fees due to higher average basis points earned on stable average FUM, as well as additional income of R137 million that was received from earn outs on affiliates disposed in prior periods. This was partly offset by the impact of the exceptional performance fees reported in the 2015 financial year.

Quilter plc's loss from discontinued operations after tax for the 2016 financial year was R43 million, an improvement of R69 million, or 62%, from a loss of R112 million for the 2015 financial year due to the loss on disposal of the Swiss business which contributed to a lower base in the 2015 financial year.

### **STATEMENT OF FINANCIAL POSITION ANALYSIS AT 31 DECEMBER 2017 COMPARED TO 31 DECEMBER 2016**

Total assets increased by R140,371 million from R2,906,515 million at 31 December 2016 to R3,046,886 million at 31 December 2017 against a market increase of c7% (JSE), 110% (ZSE) and 7.6% (FTSE 100). This is also evident in the 151% increase in returns on listed instruments. This was partly offset by goodwill impairment losses of R1,462 million for the year ended 31 December 2017, relating to the East Africa cash generating unit (R1,186 million) and the Uruguay cash generating unit (R276 million) within Emerging Markets.

Correspondingly, total liabilities have increased by R143,838 million from R2,719,603 million at 31 December 2016 to R2,863,441 million at 31 December 2017. The primary driver of this increase was the higher market returns experienced in South Africa and Rest of Africa which resulted in the increase of asset values and the associated policyholder liabilities backing these assets.

## **STATEMENT OF FINANCIAL POSITION ANALYSIS AT 31 DECEMBER 2016 COMPARED TO 31 DECEMBER 2015**

Total assets decreased by R166,679 million from R3,073,194 million at 31 December 2015 to R2,906,515 million at 31 December 2016. Lower market returns in most of the Group's businesses resulted in fair value losses in the 2016 financial year. This was partially offset by higher returns in Rest of Africa resulting primarily from improved performance of the Zimbabwean equity markets. In addition, total impairment losses of R2,190 million for the year ended 31 December 2016 were incurred, relating to the disposal of Old Mutual Italy (R917 million), which completed on 9 January 2017, and to the OMSEA Cash Generating Units within Emerging Markets (R1,273 million).

Correspondingly, total liabilities decreased by R152,375 million from R2,871,978 million at 31 December 2015 to R2,719,603 million at 31 December 2016 as a result of lower investment returns.

## **CASH FLOW ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015**

### **Cash flow from operating activities**

Net cash inflow from operating activities from continuing operations for the 2017 financial year was R13,206 million compared to net cash inflows of R12,348 million for the 2016 financial year, an increase in inflows of R858 million or 7%. This increase in inflows was driven primarily by the increase in Results from Operations of 8% during the 2017 financial year.

Net cash inflow from operating activities from continuing operations for the 2016 financial year was R12,348 million compared to net cash inflows of R12,643 million for the 2015 financial year, a decrease in inflows of R295 million or 2%. The marginal reduction in net cash inflows was driven primarily by an increase in tax paid when compared to the 2015 financial year, which was largely offset by the 5% increase in Results from Operations during the 2016 financial year.

### **Cash flow from investing activities**

Net cash outflow from investing activities from continuing operations for the 2017 financial year was R3,498 million compared to net cash outflows of R9,235 million for the 2016 financial year, a decrease in outflows of R5,737 million, or 62%. The decrease in outflows was due primarily to increased inflows from proceeds of the disposals of OMAM and Kotak during the 2017 financial year, partly offset by increased outflows related to acquisitions of investment properties.

Net cash outflow from investing activities from continuing operations for the 2016 financial year was R9,235 million compared to net cash outflows of R31,376 million for the 2015 financial year, a decrease in outflows of R22,141 million, or 71%. This decrease was due primarily to a significant reduction in outflows related to the acquisition of investment assets, and a reduction in the acquisitions of investment properties, property, plant and equipment and subsidiaries in the 2016 financial year compared to the 2015 financial year in which the acquisition of UAP and CGIC took place.

### **Cash flow from financing activities**

Net cash outflow from financing activities from continuing operations for the 2017 financial year was R20,945 million compared to net cash outflows of R11,801 million for the 2016 financial year, an increase in outflows of R9,144 million, or 77%. The increase was due to the repurchase of Old Mutual plc subordinated debt securities (Tier 2 subordinated 2025 and 2021 securities) and the repayment of perpetual preferred callable securities in the 2017 financial year, offset by reduced dividends paid to shareholders when compared to the 2016 financial year.

Net cash outflow from financing activities from continuing operations for the 2016 financial year was R11,801 million compared to net cash inflows of R2,293 million for the 2015 financial year, a net increase in outflows of R14,094 million. This was due primarily to lower inflows from the issue of subordinated and other debt instruments off a higher base in the 2015 financial year. Net inflows in the 2015 financial year were further enhanced by the sale of shares held by B-BBEE Trusts.

**CONSOLIDATED INCOME STATEMENT**
**For the year ended 31 December**

	Notes	2017	2016	2015
(R million)				
<b>Continuing operations</b>				
<b>Revenue</b>				
Gross insurance premium revenue	B2	<b>72,456</b>	74,263	67,045
Outward reinsurance		<b>(6,713)</b>	(6,257)	(4,943)
Net earned premiums		<b>65,743</b>	68,006	62,102
Investment return (non-banking)	D2	<b>93,921</b>	37,455	48,546
Banking interest and similar income	D3	<b>4,394</b>	4,569	4,582
Banking trading, investment and similar income	D4	<b>97</b>	280	102
Fee and commission income, and income from service activities	D5	<b>11,547</b>	11,265	10,218
Other income		<b>1,884</b>	1,230	1,182
<b>Total revenue</b>		<b>177,586</b>	122,805	126,732
<b>Expenses</b>				
Claims and benefits (including change in insurance contract provisions)		<b>(91,759)</b>	(69,420)	(64,045)
Reinsurance recoveries		<b>5,410</b>	4,425	3,584
Net claims and benefits incurred		<b>(86,349)</b>	(64,995)	(60,461)
Change in investment contract liabilities		<b>(30,359)</b>	(10,868)	(22,281)
Credit impairment charges		<b>(715)</b>	(873)	(1,214)
Finance costs	D6	<b>(4,012)</b>	(2,555)	(972)
Banking interest payable and similar expenses	D7	<b>(1,278)</b>	(1,795)	(1,800)
Fee and commission expenses, and other acquisition costs	D8	<b>(8,992)</b>	(8,467)	(7,710)
Change in third-party interest in consolidated funds		<b>(11,405)</b>	(2,336)	(3,065)
Other operating and administrative expenses	D9	<b>(26,993)</b>	(25,286)	(23,141)
<b>Total expenses</b>		<b>(170,103)</b>	(117,175)	(120,644)
Share of associated undertakings' and joint ventures' profit after tax	I2(a)	<b>160</b>	191	284
Profit on disposal of subsidiaries, associated undertakings and strategic investments		<b>1,987</b>	263	273
<b>Profit before tax</b>		<b>9,630</b>	6,084	6,645
Income tax expense	D1(a)	<b>(4,118)</b>	(2,838)	(2,907)
<b>Profit after tax from continuing operations</b>		<b>5,512</b>	3,246	3,738
<b>Discontinued operations</b>				
Profit after tax from discontinued operations	A4.1(a)	<b>14,852</b>	13,570	13,405
<b>Profit after tax for the financial year</b>		<b>20,364</b>	16,816	17,143
<b>Attributable to</b>				
Equity holders of the parent		<b>14,372</b>	11,351	11,094
Non-controlling interests				
Ordinary shares	H10(a)(i)	<b>5,402</b>	5,026	5,678
Preferred securities	H10(a)(ii)	<b>590</b>	439	371
<b>Profit after tax for the financial year</b>		<b>20,364</b>	16,816	17,143
<b>Earnings per ordinary share</b>				
Basic earnings per share – continuing operations (cent)		<b>116.5</b>	69.5	63.3
Basic earnings per share – discontinued operations (cent)		<b>188.2</b>	169.4	167.2
<b>Basic earnings per ordinary share (cent)</b>	C1(a)	<b>304.7</b>	238.9	230.5
Diluted earnings per share – continuing operations (cent)		<b>114.7</b>	68.5	61.5
Diluted earnings per share – discontinued operations (cent)		<b>182.8</b>	164.1	159.4
<b>Diluted earnings per ordinary share (cent)</b>	C1(b)	<b>297.5</b>	232.6	220.9

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the year ended 31 December**

	Notes	2017	2016	2015
		(R million)		
<b>Continuing operations</b>				
<b>Profit after tax for the financial year</b>		<b>20,364</b>	16,816	17,143
<b>Other comprehensive income for the financial year</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Fair value movements				
Property revaluations		134	113	176
Remeasurement (losses)/gains on defined benefit plans		(966)	(124)	88
Shadow accounting <sup>1</sup>		(154)	(136)	(195)
Income tax on items that will not be reclassified to profit or loss		(95)	38	(77)
		(1,081)	(109)	(8)
<b>Items that may be reclassified to profit or loss</b>				
Fair value movements				
Net investment hedge		446	(2,069)	253
Available-for-sale investments				
Fair value gain/(losses)		46	(33)	(138)
Reclassified to profit or loss		–	–	(9)
Currency translation differences on translating foreign operations		(3,171)	(18,282)	(20,428)
Exchange differences reclassified to profit or loss				
on disposal of business		(1,343)	–	(439)
Realisation of net investment hedge on sale of a subsidiary		2,680	–	–
Other movements		(321)	(146)	(354)
Income tax on items that may be reclassified to profit or loss		43	80	–
		(1,620)	(20,450)	19,741
<b>Total other comprehensive income for the financial year from continuing operations</b>		<b>(2,701)</b>	(20,559)	19,733
<b>Discontinued operations</b>				
Total other comprehensive income for the financial year from discontinued operations after tax	A4.1(b)	95	(3,622)	1,884
<b>Total other comprehensive income for the financial year</b>		<b>(2,606)</b>	(24,181)	21,617
<b>Total comprehensive income for the financial year</b>		<b>17,758</b>	(7,365)	38,760
<b>Attributable to</b>				
Equity holders of the parent		12,036	(9,324)	29,755
Non-controlling interests				
Ordinary shares		5,132	1,520	8,634
Preferred securities		590	439	371
<b>Total comprehensive income for the financial year</b>		<b>17,758</b>	(7,365)	38,760

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**For the year ended 31 December**

	Notes	2017	2016	2015
(R million)				
<b>Assets</b>				
Goodwill and other intangible assets	H1	6,653	41,897	74,763
Mandatory reserve deposits with central banks		94	18,836	16,346
Property, plant and equipment	H2(a)	8,081	15,127	15,984
Investment property	H2(b)	31,903	28,769	28,139
Deferred tax assets	H7(a)	1,084	1,620	6,485
Investments in associated undertakings and joint ventures	I2(a)	1,789	9,183	11,736
Deferred acquisition costs	H3	3,086	12,826	17,886
Reinsurers' share of policyholder liabilities	G6	4,220	52,824	60,714
Loans and advances	G1	21,483	730,906	706,568
Investments and securities	G2	722,249	1,702,105	1,914,538
Current tax receivable		1,064	1,255	1,958
Trade, other receivables and other assets	H4	21,875	40,973	44,404
Derivative financial instruments	G4	4,101	22,719	70,199
Cash and cash equivalents		30,761	82,175	100,666
Assets held-for-sale and distribution	A4.2	2,188,443	145,300	2,808
<b>Total assets</b>		<b>3,046,886</b>	<b>2,906,515</b>	<b>3,073,194</b>
<b>Liabilities</b>				
Life insurance contract liabilities	G6	159,514	169,243	176,034
Investment contract liabilities with discretionary participating feature features	G6	193,425	170,963	161,677
Investment contract liabilities	G6	288,164	1,144,732	1,386,622
Property & casualty liabilities	G6	8,285	8,181	7,788
Third-party interests in consolidated funds		81,573	135,319	135,740
Borrowed funds	G7	18,866	79,585	80,413
Provisions and accruals	H5	2,385	2,713	4,551
Deferred revenue	H6	1,378	4,909	6,258
Deferred tax liabilities	H7(b)	5,088	7,458	9,514
Current tax payable		1,711	2,460	4,254
Trade, other payables and other liabilities	H8	42,355	86,678	85,528
Amounts owed to bank depositors	G8	12,440	768,223	737,649
Derivative financial instruments	G4	4,498	19,681	75,682
Liabilities held-for-sale and distribution	A4.2	2,043,759	119,458	268
<b>Total liabilities</b>		<b>2,863,441</b>	<b>2,719,603</b>	<b>2,871,978</b>
<b>Net assets</b>		<b>183,445</b>	<b>186,912</b>	<b>201,216</b>
<b>Shareholders' equity</b>				
Equity attributable to equity holders of the parent		136,678	134,678	152,418
Non-controlling interests				
Ordinary shares	H10(b)(i)	40,910	47,012	45,237
Preferred securities	H10(b)(ii)	5,857	5,222	3,561
<b>Total non-controlling interests</b>		<b>46,767</b>	<b>52,234</b>	<b>48,798</b>
<b>Total equity</b>		<b>183,445</b>	<b>186,912</b>	<b>201,216</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**For the year ended 31 December**

	Notes	2017	2016	2015
R million				
<b>Cash flows from operating activities</b>				
Profit before tax		9,630	6,084	6,645
Non-cash movements in profit before tax		15,889	6,681	16,787
Net changes in working capital		(8,386)	3,591	(7,720)
Taxation paid		(3,927)	(4,008)	(3,069)
<b>Net cash inflow from operating activities – continuing operations</b>		<b>13,206</b>	<b>12,348</b>	<b>12,643</b>
<b>Cash flows from investing activities</b>				
Net acquisitions of financial investments		(5,042)	(8,894)	(27,659)
Acquisition of investment properties		(6,139)	(1,654)	(2,670)
Proceeds from disposal of investment properties		69	150	800
Dividends received from associated undertakings		69	20	39
Acquisition of property, plant and equipment		(669)	(755)	(1,078)
Proceeds from disposal of property, plant and equipment		240	45	89
Acquisition of intangible assets		(755)	(578)	(311)
Acquisition of interests in subsidiaries, associated undertakings , joint ventures and strategic investments		(1,543)	(1,216)	(3,846)
Proceeds from the disposal of interests in subsidiaries, associated undertakings joint ventures and strategic investments		10,272	3,647	3,260
<b>Net cash outflow from investing activities – continuing operations</b>		<b>(3,498)</b>	<b>(9,235)</b>	<b>(31,376)</b>
<b>Cash flows from financing activities</b>				
Dividends paid to				
Ordinary equity holders of the Company		(5,667)	(8,706)	(7,862)
Non-controlling interests and preferred security interests		(394)	(488)	(702)
Interest paid (excluding banking interest paid)		(1,029)	(1,375)	(996)
Proceeds from issue of ordinary shares		294	40	39
Net acquisition(disposal) of treasury shares – ordinary shares		223	(658)	(1,317)
Sale of shares held by BEE trusts		–	–	3,416
Redemption of perpetual preferred callable securities		(4,923)	–	–
Proceeds from issue of subordinated and other debt		1,715	2,517	14,757
Subordinated and other debt repaid		(11,164)	(3,131)	(5,042)
<b>Net cash (outflow)/inflow from financing activities – continuing operations</b>		<b>(20,945)</b>	<b>(11,801)</b>	<b>2,293</b>
<b>Net cash outflow – continuing operations</b>		<b>(11,237)</b>	<b>(8,688)</b>	<b>(16,440)</b>
Net cash inflow – discontinued operations	A4.1	10,221	6,496	18,528
Effects of exchange rate changes on cash and cash equivalents		(1,290)	(12,636)	11,246
Cash and cash equivalents at beginning of the year		102,640	117,468	104,134
<b>Cash and cash equivalents at end of the year</b>		<b>100,334</b>	<b>102,640</b>	<b>117,468</b>
<b>Comprising:</b>				
Mandatory reserve deposits with central banks	B4	94	18,836	16,346
Cash and cash equivalents	B4	30,761	82,175	100,666
Included in assets held-for-sale and distribution				
Mandatory reserve deposits with central banks	A4.2	19,222	1,629	456
Cash and cash equivalents	A4.2	50,257	–	–
<b>Total</b>		<b>100,334</b>	<b>102,640</b>	<b>117,468</b>

Cash and cash equivalents in the cash flow statement above include mandatory reserve deposits in line with market practice in South Africa. Except for mandatory reserve deposits with central banks of R19,316 million (2016: R18,836 million; 2015: R16,346 million) and cash and cash equivalents consolidated as part of the consolidation of funds of R21,872 million (2016: R16,547 million; 2015: R37,485 million), management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day-to-day operations. The R21,872 million of cash and cash equivalents included in consolidation of funds at 31 December 2017 includes R15,408 million held by Old Mutual Wealth and shown within assets held-for-sale and distribution.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Millions													(R million)	
Year ended 31 December 2017	Notes	Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve	Property revaluation reserve	Share-based payments reserve	Other reserves <sup>1</sup>	Foreign currency translation reserve	Retained earnings <sup>2</sup>	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-contributing interests	Total equity	
Shareholders' equity at beginning of the year		4,930	10,145	19,036	22,422	666	3,284	7,493	266	(2,043)	68,877	4,532	134,678	52,234	186,912	
Total comprehensive income for the financial year																
Profit after tax for the financial year		-	-	-	-	-	-	-	-	-	14,119	253	14,372	5,992	20,364	
Other comprehensive income		-	-	-	-	-	-	-								
Items that will not be reclassified to profit or loss		-	-	-	-	-	-	-								
Fair value movements		-	-	-	-	-	-	-								
Property revaluation		-	-	-	-	-	324	-	-	-	(86)	-	238	86	324	
Remeasurement losses on defined benefit plans		-	-	-	-	-	-	-			(669)	-	(669)	241	(428)	
Shadow accounting <sup>5</sup>		-	-	-	-	-	(154)	-	-	-	-	-	(154)	-	(154)	
Income tax on items that will not be reclassified to profit or loss	D1(c)	-	-	-	-	-	(116)	-	-	-	(33)	-	(149)	(97)	(246)	
		-	-	-	-	-	54	-	-	-	(788)	-	(734)	230	(504)	
Items that may be reclassified to profit or loss																
Fair value movements																
Net investment hedge		-	-	-	-	-	-	-	-	446	-	-	446	-	446	
Available-for-sale investments		-	-	-	-	68	-	-	-	-	(34)	-	34	34	68	
Currency translation differences on translating foreign operations		-	-	-	-	-	-	-	-	(3,312)	-	-	(3,312)	(1,136)	(4,448)	
Exchange differences reclassified to profit or loss on disposal of business <sup>2</sup>		-	-	-	-	-	-	-	360	(1,703)	(154)	-	(1,497)	154	(1,343)	
Realisation of net investment hedge on sale of a subsidiary <sup>2</sup>		-	-	-	-	-	-	-	-	2,680	-	-	2,680	-	2,680	
Other movements		-	-	-	-	(84)	-	-	-	-	(295)	-	(379)	103	(276)	
Share of other comprehensive income of investments accounted for using the equity method <sup>1</sup>		-	-	-	-	-	-	-	728	-	(326)	-	402	326	728	
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	-	-	-	-	43	-	-	-	-	(19)	-	24	19	43	
Total comprehensive income for the financial year		-		-	-	27	54	-	1,088	(1,889)	12,503	253	12,036	5,722	17,758	

		Millions													(R million)
		Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve	Property revaluation reserve	Share-based payments reserve	Other reserves <sup>1</sup>	Foreign currency translation reserve	Retained earnings <sup>2</sup>	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-contributing interests	Total equity
Year ended 31 December 2017	Notes														
Transactions with the owners of the Company															
Contributions and distributions															
Dividends for the year	C3	–	–	–	–	–	–	–	–	–	(5,667)	(259)	(5,926)	(3,617)	(9,543)
Tax relief on dividends paid		–	–	–	–	–	–	–	–	–	–	6	6	–	6
Equity share-based payment transactions		–	–	–	–	–	–	(639)	–	–	532	–	(107)	–	(107)
Transfer between reserves <sup>3</sup>		–	–	–	–	–	–	(2,040)	–	–	2,040	–	–	–	–
Proceeds from BEE transactions		–	–	218	–	–	–	–	–	–	–	–	218	–	218
Merger reserve released		–	–	–	(1,783)	–	–	–	–	–	1,783	–	–	–	–
Additional tier 1 capital instruments issued <sup>4</sup>		–	–	–	–	–	–	–	–	–	–	–	–	600	600
Preferred securities repurchased		–	–	–	–	–	–	–	–	–	(240)	(4,532)	(4,772)	–	(4,772)
Other movements in share capital <sup>5</sup>		3	5	70	–	–	66	–	(385)	–	86	–	(158)	–	(158)
Total contributions and distributions		3	5	288	(1,783)	–	66	(2,679)	(385)	–	(1,466)	(4,785)	(10,739)	(3,017)	(13,756)
Changes in ownership															
Disposal of a non-controlling interest in OM Asset Management plc		–	–	–	–	–	–	–	–	–	–	–	–	(9,432)	(9,432)
Change in participation in subsidiaries		–	–	–	–	–	–	–	–	–	703	–	703	1,260	1,963
Total changes in ownership		–	–	–	–	–	–	–	–	–	703	–	703	(8,172)	(7,469)
Total transactions with the owners of the Company		3	5	288	(1,783)	–	66	(2,679)	(385)	–	(763)	(4,785)	(10,036)	(11,189)	(21,225)
Shareholders’ equity at end of the year		4,933	10,150	19,324	20,639	693	3,404	4,814	969	(3,932)	80,617	–	136,678	46,767	183,445

1. Included in share of other comprehensive income of investments accounted for using the equity method is a gain of R728 million, (2016: R13 million loss; 2015: R57 million gain) relating to Ecobank Transnational Incorporated.
2. A net gain of R1,058 million was realised and recycled to profit or loss on the disposal of OM Asset Management plc (OMAM) comprising R360million loss for other reserves and R1,418 million foreign currency translation gains. Gains of R81 million and R204 million were realised from the recycling of foreign currency reserves relating to the disposals of Old Mutual Wealth Italy and Kotak Mahindra Old Mutual Life Insurance Limited respectively. In addition, a net investment hedge reserve loss of R2,680 was realised.
3. Transfers between reserves comprise a transfer from the share-based payment reserve to retained earnings as a result of the disposal of OMAM (R1,046 million) and a transfer for fully vested share based-payments within plc Head Office (R994 million).
4. On 30 June 2017, Nedbank Limited issued R600 million additional Tier 1 capital instruments under its R10 billion Domestic Medium Term Note Programme which has been classified as equity. Interest is payable quarterly in arrears at a floating rate of 3-month JIBAR plus 5.65%. Refer to note A2 for more information.
5. Shadow accounting is an adjustment, permitted by IFRS 4 'Insurance contracts', to allow for the impact of recognising unrealised gains or losses on insurance assets and liabilities in a consistent manner to the recognition of the unrealised gain or loss on financial assets that have a direct effect on the measurement of the related insurance assets and liabilities.
6. Other movements in share capital includes a movement in retained earnings of R376 million (2016: R32 million; 2015: R945 million) relating to own shares held by consolidated investment funds. These own shares are treated as treasury shares in the consolidated financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Millions													(R million)	
		Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve	Property revaluation reserve	Share-based payments reserve	Other reserves <sup>1</sup>	Foreign currency translation reserve	Retained earnings <sup>2</sup>	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-contributing interests	Total equity	
Year ended 31 December 2016	Notes															
Shareholders' equity at beginning of the year		4,929	10,142	18,992	22,422	706	3,324	6,636	519	18,675	66,470	4,532	152,418	48,798	201,216	
Total comprehensive income for the financial year																
Profit after tax for the financial year		–	–	–	–	–	–	–	–	–	11,073	278	11,351	5,465	16,816	
Other comprehensive income																
Items that may be reclassified to profit or loss																
Fair value movements																
Property revaluation		–	–	–	–	–	136	–	–	–	(20)	–	116	18	134	
Remeasurement losses on defined benefit plans		–	–	–	–	–	–	–	–	–	(363)	–	(363)	(185)	(548)	
Shadow accounting		–	–	–	–	–	(136)	–	–	–	–	–	(136)	–	(136)	
Income tax on items that will not be reclassified to profit or loss	D1(c)	–	–	–	–	–	–	–	–	–	100	–	100	52	152	
		–	–	–	–	–	–	–	–	–	(283)	–	(283)	(115)	(398)	
Items that may be reclassified to profit or loss																
Fair value movements																
Net investment hedge		–	–	–	–	–	–	–	–	(2,069)	–	–	(2,069)	–	(2,069)	
Available-for-sale investments						(101)	–	–	–	–	40	–	(61)	(45)	(106)	
Currency translation differences on translating foreign operations		–	–	–	–	–	–	–	–	(17,932)	–	–	(17,932)	(3,299)	(21,231)	
Share of other comprehensive income of investments accounted for using the accounted for using the equity method		–	–	–	–	–	–	–	(13)	–	–	–	(13)	–	(13)	
Other movements		–	–	–	–	29	(40)	–	(240)	–	(98)	–	(349)	(95)	(444)	
Income tax on items that may be reclassified to profit or loss	D1(c)	–	–	–	–	32	–	–	–	–	–	–	32	48	80	

	Notes	Millions													(R million)	
		Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve	Property revaluation reserve	Share-based payments reserve	Other reserves <sup>1</sup>	Foreign currency translation reserve	Retained earnings <sup>2</sup>	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-contributing interests	Total equity	
Year ended 31 December 2016																
Total comprehensive income for the financial year		–	–	–	–	(40)	(40)	–	(253)	(20,001)	10,732	278	(9,324)	1,959	(7,365)	
<b>Transactions with the owners of the Company</b>																
<b>Contributions and distributions</b>																
Dividends for the year	C3	–	–	–	–	–	–	–	–	–	(8,706)	(347)	(9,053)	(3,408)	(12,461)	
Tax relief on dividends paid		–	–	–	–	–	–	–	–	–	–	69	69	–	69	
Equity share-based payment transactions		–	–	–	–	–	–	857	–	–	(80)	–	777	95	872	
OM Asset Management plc shares buyback		–	–	–	–	–	–	–	–	–	(159)	–	(159)	(60)	(219)	
Additional tier 1 capital instruments issued		–	–	–	–	–	–	–	–	–	–	–	–	2,000	2,000	
Preferred securities repurchased		–	–	–	–	–	–	–	–	–	–	–	–	(339)	(339)	
Shares issued in lieu of cash dividends		–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Cancellation of treasury shares		–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Share consolidation		–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Other movements in share capital		1	3	44	–	–	–	–	–	–	(646)	–	(599)	–	(599)	
Total contributions and distributions		1	3	44	–	–	–	857	–	–	(9,591)	(278)	(8,965)	(1,712)	(10,677)	
<b>Changes in ownership</b>																
Acquisition of shareholding in Banco Unico		–	–	–	–	–	–	–	–	(20)	(120)	–	(140)	140	–	
Disposal of a non-controlling interest in OM Asset Management plc		–	–	–	–	–	–	–	–	(697)	956	–	259	3,049	3,308	
Non-controlling interests in subsidiaries acquired		–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Change in participation in subsidiaries		–	–	–	–	–	–	–	–	–	430	–	430	–	430	
Total changes in ownership		–	–	–	–	–	–	–	–	(717)	1,266	–	549	3,189	3,738	
Total transactions with owners of the Company		1	3	44	–	–	–	857	–	(717)	(8,325)	(278)	(8,416)	1,477	(6,939)	
Shareholders' equity at end of the year		4,930	10,145	19,036	22,422	666	3,284	7,493	266	(2,043)	68,877	4,532	134,678	52,234	186,912	

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015	Notes	Millions												(R million)	
		Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve	Property revaluation reserve	Share-based payments reserve	Other reserves <sup>1</sup>	Foreign currency translation reserve	Retained earnings <sup>2</sup>	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-contributing interests	Total equity
<b>Shareholders' equity at beginning of the year</b>		4,907	10,088	15,411	24,185	859	3,214	6,051	656	–	62,869	9,463	132,796	37,150	169,946
<b>Total comprehensive income for the financial year</b>															
<b>Profit after tax for the financial year</b>		–	–	–	–	–	–	–	–	–	10,620	474	11,094	6,049	17,143
<b>Other comprehensive income</b>															
<b>Items that may be reclassified to profit or loss</b>															
Fair value movements															
Property revaluation		–	–	–	–	–	344	–	–	–	(98)	–	246	97	343
Remeasurement gains on defined benefit plans		–	–	–	–	–	–	–	–	–	245	–	245	131	376
Shadow accounting		–	–	–	–	–	(195)	–	–	–	–	–	(195)	–	(195)
Income tax on items that will not be reclassified to profit or loss	D1(c)	–	–	–	–	–	(59)	–	–	–	(18)	–	(77)	–	(77)
		–	–	–	–	–	90	–	–	–	129	–	219	228	447
Fair value movements															
Net investment hedge		–	–	–	–	–	–	–	–	253	–	–	253	–	253
Available-for-sale investments															
Fair value gains		–	–	–	–	–	–	–	(137)	–	59	–	(78)	(64)	(142)
Reclassified to profit or loss		–	–	–	–	(98)	–	–	–	–	–	–	(98)	–	(98)
Exchange differences reclassified to profit or loss on disposal of business		–	–	–	–	–	–	–	–	(439)	–	–	(439)	–	(439)
Currency translation differences on translating foreign operations		–	–	–	–	–	–	–	–	18,962	–	–	18,962	3,016	21,978
Share of other comprehensive income of investments accounted for using the equity method		–	–	–	–	–	–	–	57	–	–	–	57	–	57
Other movements	D1(c)	–	–	–	–	(55)	20	–	(57)	–	(123)	–	(215)	(224)	(439)
<b>Total comprehensive income for the financial year</b>		–	–	–	–	(153)	110	–	(137)	18,776	10,685	474	29,755	9,005	38,760

		Millions													(R million)	
		Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve	Property revaluation reserve	Share-based payments reserve	Other reserves <sup>1</sup>	Foreign currency translation reserve	Retained earnings <sup>2</sup>	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-contributing interests	Total equity	
Year ended 31 December 2015	Notes															
<b>Transactions with the owners of the Company</b>																
<b>Contributions and distributions</b>																
Dividends for the year	C3	–	–	–	–	–	–	–	–	–	(7,862)	(598)	(8,460)	(3,115)	(11,575)	
Tax relief on dividends paid		–	–	–	–	–	–	–	–	–	–	124	124	–	124	
Equity share-based payment transactions		–	–	–	–	–	–	597	–	–	98	–	695	76	771	
Proceeds from BEE transactions		–	–	2,738	–	–	–	–	–	–	664	–	3,402	–	3,402	
Merger reserve released		–	–	–	(1,763)	–	–	–	–	–	1,757	–	(6)	–	(6)	
Preferred securities repurchased		–	–	–	–	–	–	–	–	–	(222)	(4,931)	(5,153)	–	(5,153)	
Other movements in share capital		3	–	62	–	–	–	–	–	–	(1,315)	–	(1,253)	–	(1,253)	
Total contributions and distributions		3	–	2,800	(1,763)	–	–	597	–	–	(6,880)	(5,405)	(10,651)	(3,039)	(13,690)	
<b>Changes in ownership</b>																
Shares issued for the acquisition of Quilter Cheviott		19	54	781	–	–	–	–	–	–	(820)	–	15	–	15	
Disposal of a non-controlling interest in OM Asset Management plc		–	–	–	–	–	–	–	–	(101)	1,058	–	957	2,226	3,183	
Non-controlling interests in subsidiaries acquired		–	–	–	–	–	–	–	–	–	–	–	–	2,050	2,050	
Change in participation in subsidiaries		–	–	–	–	–	–	(12)	–	–	(442)	–	(454)	1,406	952	
Total changes in ownership		19	54	781	–	–	–	(12)	–	(101)	(204)	–	518	5,682	6,200	
Total transactions with owners of the Company		22	54	3,581	(1,763)	–	–	585	–	(101)	(7,084)	(5,405)	(10,133)	2,643	(7,490)	
Shareholders’ equity at end of the year		4,929	10,142	18,992	22,422	706	3,324	6,636	519	18,675	66,470	4,532	152,418	48,798	201,216	

1. On 1 January 2015, the Group transitioned the basis of preparation of the financial statements to International Financial Reporting Standards (IFRS) from IFRS as endorsed by the EU. In the preparation of the first set of IFRS financial statements the Group has applied the exemption in IFRS1 – 'First time adoption of International Financial Reporting Standards' to set cumulative foreign exchange differences for all foreign operations to zero. Full details of the transition to IFRS is contained in note J9.

## Notes to the historical financial information

### A: Significant accounting policies

#### A1: Basis of preparation

##### Statement of compliance

The Historical Financial Information as at and for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 (Historical Financial Information for 2017, 2016 and 2015) consolidates the historical financial information of Old Mutual plc (the Company) and its subsidiaries (together referred to as the 'Old Mutual Group') and equity accounts the Group's interest in associates and joint ventures (other than those held by investment-linked insurance funds and venture capital divisions which are accounted for as investments at fair value through profit or loss).

The historical financial information is Old Mutual plc's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 – 'First-time Adoption of International Financial Reporting Standards' has been applied. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note J9.

The accounting policies adopted by the Group, unless otherwise stated, have been applied consistently to all periods presented in the Historical Financial Information for the three years ended 31 December 2017, 31 December 2016 and 31 December 2015.

The Historical Financial Information for 2017, 2016 and 2015 is presented in South African rand which is the Group's presentation currency on the historical cost basis except for the following assets and liabilities that are stated at their fair value or modified historical cost: derivative financial instruments, financial assets and liabilities designated as fair value through profit or loss or as available-for-sale, owner-occupied property and investment property, cash-settled share-based payments, pension scheme assets, and insurance and investment contract liabilities. Assets and disposal groups held-for-sale and distribution are stated at the lower of the previous carrying amount and the fair value less costs to sell.

The Historical Financial Information for 2017, 2016 and 2015 have been prepared on the going concern basis which the directors believe to be appropriate.

The significant accounting policies are contained in the Historical Financial Information for 2017, 2016 and 2015 and are included in the specific notes to which they relate. The accounting policies on financial assets and liabilities are included in note K. Judgements made by the directors in the applications of these accounting policies that have a significant effect on the Historical Financial Information for 2017, 2016 and 2015, and estimates with a significant risk of material adjustment in the next year, are discussed in note A3.

##### Assets and liabilities classified as held-for-sale and distribution and discontinued operations

In anticipation of the execution of the Group's managed separation strategy through distribution of Old Mutual Wealth shares and the planned subsequent distribution of a significant portion of the Group's stake in Nedbank (resulting in the probable loss of control of these businesses), the Group's interests in the assets and liabilities of these businesses have been classified as held for distribution in the consolidated statement of financial position at 31 December 2017. In addition, these businesses have been presented as discontinued operations in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 as required by IFRS.

##### Accounting policy elections

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

Property and equipment	– Land and buildings are stated at revalued amounts. Revaluation surpluses are recognised through other comprehensive income.
Investment in venture capital divisions and investment-linked insurance funds	– In venture capital divisions and investment-linked insurance funds, the Group has elected to carry associate and joint-venture entities at fair value through profit or loss.
Financial instruments	– The Group has elected to designate certain fixed-rate financial assets and liabilities at fair value through profit or loss to reduce an accounting mismatch. – 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 for the year.

## Translation of foreign operations

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

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

	Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015	
	Income statement	Statement of financial position	Income Statement	Statement of financial position	Income statement	Statement of financial position
	(average rate)	(closing rate)	(average rate)	(closing rate)	(average rate)	(closing rate)
GBP	17.1493	16.7565	19.9305	16.9551	19.5223	22.8183
US dollars	13.3107	12.3902	14.6998	13.7344	12.7726	15.4868
Euro	15.0336	14.8955	16.2690	14.4857	14.1825	16.8280

## A2: Significant corporate activity and business changes during the year

### Acquisitions completed during the year

#### Win Twice Properties (Pty) Limited and Bedford Square Properties (Pty) Ltd

On 6 October 2017, Old Mutual Life Assurance Company (South Africa) Limited (OMLAC(SA)), part of Emerging Markets, subscribed for 98.9% of Bedford Square Properties (Pty) Ltd and 96.8% of Win Twice Properties (Pty) Ltd, as these two companies own the land and buildings which comprises the Bedford Shopping Centre.

The purchase price of R900 million has been allocated based on a provisional estimate of the fair value of assets acquired and liabilities assumed at the date of acquisition determined in accordance with IFRS 3 'Business Combinations'. The provisional allocation required significant assumptions and it is possible that the preliminary estimates may change materially as the purchase price allocations are finalised. The transaction also includes a contingent consideration payable or receivable, based on turnover and operating income reaching certain milestones within 12 months of acquisition date.

The carrying value of assets and liabilities in OMLAC(SA)'s consolidated statement of financial position on acquisition date approximates the fair value of these items determined by the Group. Goodwill of R72 million was recognised on the acquisition, which is attributable to expected future synergies and includes the carrying amount of the contingent consideration.

#### Caerus Capital Group Limited (Caerus)

On 1 June 2017, Old Mutual Wealth completed the acquisition of 100% of the share capital of Caerus, a UK based adviser network that operates in a similar manner to Intrinsic and which has approximately R68.0 billion (£4.0 billion) of funds under advice and over 300 advisers.

The total consideration of R411 million (£24 million) includes R257 million (£15 million) cash consideration and R51 million (£3 million) that has been deferred for two years and R103 million (£6 million) that has been deferred for three years. The deferred consideration has been included as part of the cost of the acquisition as there is no continuing employment condition applying to the sellers of the business. The deferred consideration payable is dependent on turnover targets post-acquisition and is potentially reduced by the amount of any relevant claims arising from in-force business existing prior to the payment dates.

The purchase price has been allocated based on a provisional estimate of the fair value of assets acquired and liabilities assumed at the date of acquisition determined in accordance to IFRS 3 'Business Combinations'. The provisional allocation required significant assumptions and it is possible that the preliminary estimates may change materially as the purchase price allocations are finalised. The accounting must be finalised within 12 months of the acquisition date.

The carrying value of assets and liabilities in Caerus's consolidated statement of financial position on acquisition date approximates the fair value of these items determined by the Group. In addition, the Group recognised identified intangible assets of R171 million (£10 million). The intangible assets recognised relate to customer distribution channels. The value of the intangible assets was determined by applying cash flows to standard industry valuations models. Goodwill of R171 million (£10 million) was recognised on the acquisition and is attributable to the delivery of significant cost and revenue synergies that cannot be linked to identifiable intangible assets.

Transaction costs incurred of R17 million (£1 million) relating to the acquisition have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted operating profit.

#### **Old Mutual Private Client Advisers (PCA)**

During 2017, the Group completed the acquisition of eight adviser businesses as part of the expansion of its PCA business that was launched in October 2015. The aim is to develop an Old Mutual Wealth branded, employed adviser business focused upon servicing upper affluent and high net worth clients, offering a centrally-defined restricted advice proposition focused upon Group's investment solutions and platform.

The purchase price for each acquisition has been allocated based on a provisional estimate of the fair value of assets acquired and liabilities assumed at the dates of acquisition determined in accordance to IFRS 3 'Business Combinations'. The provisional allocations required significant assumptions and it is possible that the preliminary estimates may change materially as the purchase price allocations are finalised. The accounting must be finalised within 12 months of the acquisition dates.

The estimated total consideration payable is R343 million (£20 million), including up to R171 million (£10 million) in relation to deferred payments. The amount of deferred consideration is dependent upon the meeting of certain performance targets, generally relating to the value of funds under management and levels of ongoing fee income. The deferred consideration has been included as part of the cost of the acquisition. Total other intangible assets of R171 million (£10 million) in respect of customer relationships were recognised as a result of the acquisitions, together with goodwill of R86 million (£5 million).

Transaction costs incurred of R17 million (£1 million) relating to the acquisitions have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted operating profit.

#### **Attivo Investment Management Limited (AIM)**

On 29 March 2017, Old Mutual Wealth completed the acquisition of 100% of the share capital of AIM, a UK based investment management business offering a comprehensive investment management service.

The fair value of the total estimated consideration was R137 million (£8 million), of which R69 million (£4 million) was cash consideration and R69 million (£4 million) was deferred for two years. The deferred consideration is included within the cost of the acquisition because it is dependent on levels of assets under management being maintained, with no requirement for continuing employment applied to the sellers of the business.

The book value of total assets and total net assets of the acquired business were both less than R17 million (£1 million).

The purchase price has been allocated based on a provisional estimate of the fair value of assets acquired and liabilities assumed at the date of acquisition determined in accordance to IFRS 3 'Business Combinations'. The provisional allocation required significant assumptions and it is possible that the preliminary estimates may change materially as the purchase price allocations are finalised. The accounting must be finalised within 12 months of the acquisition date.

The carrying value of assets and liabilities in AIM's statement of financial position on acquisition date approximates the fair value of these items determined by the Group. Other intangible assets of R123 million (£7 million), relating to customer relationships, were recognised as a result of the acquisition. No goodwill was recognised on this transaction.

Transaction costs incurred of R9 million (£0.5 million) relating to the acquisition have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted operating profit.

#### **Disposals completed during the year**

##### **Sale of OM Asset Management plc (OMAM)**

During the year, the following transactions involving the Group's ownership of OMAM shares were completed:

- on 12 May 2017, OM Group (UK) Limited (OMGUK), a wholly owned subsidiary of Old Mutual plc, sold 11.4 million OMAM shares to HNA Capital US at a price of \$15.30 per share
- on 19 May 2017, following the closing of a public offering, OMGUK sold 17.3 million OMAM shares at a price of \$14.55 per share. Pursuant to this, on 14 June 2017, the underwriters of the public offer exercised their right to purchase 2.6 million shares at the same price less an underwriting discount
- on 19 May 2017, OMAM repurchased 5.0 million ordinary shares directly from OMGUK at a price of \$14.55 per share. Consequently, from 19 May 2017, the Group no longer considered that it held a controlling interest in OMAM
- on 10 November 2017, OMGUK sold 16.0 million OMAM shares to HNA Capital US at a price of \$15.75 per share

- on 18 November 2017, following the closing of a secondary public offering, OMGUK sold 6.0 million OMAM shares at a price of \$15.50 per share

Following the completion of these transactions, the Group currently owns 1,000 ordinary shares in OMAM, representing 0.0008% of its share capital at 31 December 2017.

The total net cash proceeds arising from these transactions, after underwriting and other transaction costs, were R11,439 million. A profit on disposal of R235 million was recognised in profit or loss, which included foreign currency translation reserve gains recycled to profit or loss of R1,418 million and the release of net investment hedge reserve losses of R3,121 million.

The profit on disposal of OMAM also includes a R745 million charge as a result of the write down of part of the original consideration, being the Deferred Tax Asset Deed (DTA) that it would receive from the business upon utilisation of the asset. The write down is due to the reduction of the US corporate tax rate and other provisions of the Tax Cuts and Jobs Act (the Tax Act) enacted on 22 December 2017. There remains a possibility for further payments from OMAM of up to R545 million, pending clarification of the Tax Act's impact on the value of the DTA. Since 30 June 2017 no additional payments have been made under the DTA. In addition, the Group purchased insurance against the provisions of the DTA that allows OMAM to claw back amounts paid in the event that deferred tax assets are not recovered by the OMAM business.

### **Sale of Kotak Mahindra Old Mutual Life Insurance Limited (Kotak)**

On 13 October 2017, the Group completed the sale of its 26% stake in Kotak to its joint venture partner Kotak Mahindra Bank Limited. The net consideration was approximately INR 11,700 million (R2,366 million). The conclusion of the transaction also terminated the joint venture arrangement, extinguishing the respective put and call option arrangements between the parties relating to a 23% stake in the joint venture. A profit before tax on disposal of R1,603 million was recognised on the transaction including foreign currency translation reserve gains recycled to profit or loss of R204 million. In addition, Old Mutual plc recognised a profit of R120 million on the cancellation of the put option it held in relation to 23% of the issued shares of Kotak.

### **Sale of Old Mutual Wealth Italy**

On 9 January 2017, the Group completed the disposal of Old Mutual Wealth Italy, part of the Old Mutual Wealth business for cash consideration of R3,601 million, net of transaction costs. The profit on disposal was R163 million, comprising a gain of R82 million relating to the unwinding of a forward currency contract used to hedge the value of the proceeds to be received and a gain of R81 million from the recycling of foreign currency reserves. Merger reserves of R1,783 million created on the original acquisition of Old Mutual Wealth Italy were transferred to retained earnings and became distributable. During 2016, an impairment of R917 million was recognised against the carrying value of Old Mutual Wealth Italy's goodwill to reflect the expected realisable value.

### **Sale of a minority stake in Credit Guarantee Insurance Company (CGIC)**

On 1 April 2017, Emerging Markets completed the sale of 25% of CGIC to Atradius N.V. for R494 million. A gain on disposal of R280 million was recognised directly in equity on completion of the sale.

### **Disposals announced during the year, but not yet completed**

#### **Sale of the Single Strategy asset management business of Old Mutual Wealth**

On 19 December 2017, the Group announced that it has agreed to sell the Old Mutual Wealth Single Strategy asset management business to a special purpose vehicle ultimately owned by funds managed by TA Associates and certain members of the Single Strategy management team, for an expected total consideration in the region of R10.1 billion, comprising cash consideration of R9.6 billion payable on or before completion, with approximately R0.5 billion anticipated to be payable thereafter, paid primarily in 2019 to 2021 as surplus capital associated with the separation from Old Mutual Wealth is released in the business. This deferred consideration is not subject to performance conditions.

The proposed transaction is subject to customary closing conditions, including regulatory approvals. At 31 December 2017, the related assets and liabilities have been classified as held-for-sale. Refer to note A4 for more information.

### **Financing activities completed during the year**

#### **Emerging Markets**

On 20 November 2017, Old Mutual Insure issued R500 million Unsecured Subordinated Callable Floating Rate Notes under its R1 billion Unsecured Subordinated Callable Note Programme. Interest is payable at a floating rate of 3 Month JIBAR plus 209 bps on 22 February, 22 May, 22 August and 22 November each year until 22 November 2022. From this date, the floating rate increases to 3 Month JIBAR plus 313.5 bps until the final maturity date of 22 November 2027. The first interest payment date is 22 February 2018.



## Nedbank

On 30 June 2017, Nedbank Limited issued R600 million additional Tier 1 capital instruments under its R10 billion Domestic Medium Term Note Programme. Interest is payable quarterly in arrears at a floating rate of 3 Month JIBAR plus 5.65%. The first interest payment date is 1 October 2017 and the first call date in 1 July 2022.

## Old Mutual plc

On 24 November 2017, Old Mutual plc repurchased R6,671 million (£389 million) of its outstanding R7,717 million (£450 million) 7.875 per cent subordinated debt securities (Tier 2 subordinated 2025 securities) and R2,728 million (£159 million) of its outstanding R8,574 million (£500 million) 8 per cent subordinated debt securities (Tier 2 subordinated 2021 securities) through tender offers. All repurchased securities were cancelled on 24 November 2017. Following cancellation of these securities, the aggregate principal amounts outstanding of the R7,717 million (£450 million) securities was R1,043 million (£61 million) and the aggregate principal amount outstanding of R8,574 million (£500 million) securities was R5,846 million (£341 million). The difference of R1,749 million (£102 million) between the cash paid to repurchase and redeem R6,671 million (£389 million) of Tier 2 subordinated 2025 securities and R2,728 million (£159 million) nominal of Tier 2 subordinated 2021 securities and the IFRS book value of this debt at the date of repurchase has been recognised in profit or loss. Refer to note D6 and note G7 for more information.

On 3 February 2017, Old Mutual plc repurchased all of the R4,532 million (£273 million) Tier 1 preferred perpetual callable securities using cash from the Group's existing resources. In addition to repaying the nominal value of the securities, R497 million (£29 million) was paid to holders of the securities for accrued interest and a premium in excess of nominal value. The premium was recognised directly in equity.

## Other activities during the year

### Old Mutual plc Legacy Pension Schemes

During the year, bulk annuity arrangements for two legacy defined benefit schemes, the Old Mutual Staff Pension Fund and the G&N Retirement Benefits Scheme, were agreed with Legal & General Assurance Society Limited. The agreements resulted in the buy-in of the benefits of the two schemes with effect from 13 June 2017. This was converted to a full buy-out into individual annuity policies in October 2017 and wind-up of both schemes completed on 30 November 2017.

In order to effect the transaction, Old Mutual plc made a one off contribution of R463 million into the two schemes, which together with derecognising of the combined existing surplus for the schemes, resulted in a R978 million charge in the consolidated statement of comprehensive income.

Old Mutual plc no longer has any liability in respect of these two schemes, including administration and funding. Old Mutual plc had previously been contributing R120 million of cash funding annually to the two schemes.

## A3: Critical accounting estimates and judgements

In the preparation of these financial statements, the Group is required to make estimates and judgements that affect items reported in the consolidated income statement, statement of financial position, other primary statements and related supporting notes.

Critical accounting estimates and judgements are those which involve the most complex or subjective judgements or assessments. Where applicable the Group applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting guidance based on knowledge of the current situation. This requires assumptions and predictions of future events and actions. There have been no significant methodology changes to the critical accounting estimates and judgements that the Group applied at 31 December 2016 and 31 December 2015. The significant accounting policies are described in the relevant notes.

In the current year, the Group applied significant judgement determining whether Nedbank and Old Mutual Wealth should be classified as discontinued operations and as assets and liabilities held-for-sale and distribution. However, these classifications did not have any valuation impact on the underlying assets and liabilities. Refer to note A4 for more information.

The key areas of the Group's business that typically require such estimates and the relevant accounting policies and notes are as follows:

Area	Policy note	More detail
Valuation of financial assets and liabilities	K	E1/E2/E3
Loans and advances	G1	G1
Life assurance contract provisions	G6	G6
Intangible assets and goodwill	H1	H1
Investments in subsidiaries and associated undertakings and joint ventures	I1	I1/I2/I3
Tax	D1	D1/H7/J4

#### A4: Discontinued operations and disposal groups held-for-sale

The Group announced at its preliminary results announcement for 2015, and in various subsequent updates, that the long-term interests of its shareholders and other stakeholders would be best served by a managed separation of the Group into its four constituent businesses:

- Emerging Markets, the South African incorporated emerging markets financial services business with a focus on Africa;
- Nedbank Limited (Nedbank), the South African incorporated retail and corporate bank with a significant presence in Africa;
- Old Mutual Wealth, the UK incorporated wealth and asset management business; and
- OM Asset Management plc (OMAM), the US incorporated asset management business.

As described in note A2, the disposal of the Group's shareholding in OMAM was completed on 18 November 2017 and managed separation of the other businesses is planned to be achieved through the execution of the following remaining steps:

- the distribution of the Old Mutual Wealth shares to existing Old Mutual shareholders and the listing of Old Mutual Wealth, which it is intended will incorporate a secondary offering. Old Mutual Wealth will have a premium listing on the LSE and a secondary listing on the JSE.
- the creation of a new South African holding company, Old Mutual Limited (OML), which will acquire Old Mutual plc (consisting primarily of Emerging Markets and Nedbank pursuant to a scheme of arrangement under UK law).
- the distribution of the OML shares to existing Old Mutual plc shareholders and the listing of OML. OML will be primary listed on the JSE with a standard listing on the LSE and secondary listings on the ZSE, NSX and MSE.
- after the listing of OML and a period thereafter to allow for the share register to settle, OML anticipates unbundling (in terms of SA law) to its shareholders a significant portion of its shareholding in Nedbank, whilst retaining a strategic minority interest. Nedbank is primary listed on the JSE and secondary listed on the NSX.

Nedbank and Old Mutual Wealth comprised two of the Group's reported segments. In anticipation of the execution of the Group's managed separation strategy through distribution of Old Mutual Wealth shares and the planned subsequent distribution of a significant portion of the Group's stake in Nedbank (resulting in the probable loss of control of these businesses), the Group's entire interests in the assets and liabilities of these businesses have been classified as held for distribution in the consolidated statement of financial position at 31 December 2017. In addition, these businesses have been presented as discontinued operations in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2017, as required by IFRS. Comparative information have been re-presented accordingly.

This judgement was based on the facts and circumstances which existed at 31 December 2017 when the Directors made a formal assessment of whether the businesses should be classified as held for distribution. It was determined that although a number of minor internal reorganisations remained to be implemented, as at 31 December 2017, the businesses in their current state could have been distributed. The Directors considered that it was highly probable that the Nedbank and Old Mutual Wealth business would be distributed within a period of twelve months based on interactions with the South African and UK regulators, positive interactions with the relevant tax authorities and interactions with the South African government. The Directors have also taken into account the likelihood of the Court approval of the scheme in concluding that the businesses should be classified as held for distribution.

Note that following the planned distribution of Nedbank shares, the Group will revalue its residual associate interest at the market value prevailing at the time and will commence equity accounting of its interest as a continuing operation from that date.

The phased reduction of the Group's majority stake in OMAM began in 2016. In addition, on 31 May 2016, the Group sold its interest in Rogge Global Partners Limited (Rogge). These two businesses comprised one of the Group's reported segments, Institutional Asset Management (IAM). As a consequence of the plans to dispose of these businesses, IAM was classified as held-for-sale in the consolidated statement of financial position at 31 December 2016. In addition IAM was presented as a discontinued operation in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2016, as required by IFRS. From 18 November 2017, the Group's remaining 0.0008% stake in OMAM was accounted at fair value within investments and securities. More information about the accounting treatment following each tranche of the sell down of the Groups stake in OMAM can be found in note B1.

Further information on discontinued operations is provided in note A4.1 and further information on assets and liabilities classified as held-for-sale and distribution is provided in note A4.2. Due to the material contribution of Nedbank and Old Mutual Wealth to the Group's consolidated financial statements, the Group elected to present disclosures of certain material assets and liabilities classified as held for distribution within the respective notes that they relate to. Information on other held-for-sale assets and liabilities have been included in note A4.2.2.

#### A4.1: Discontinued operations

The following tables present the income statement from discontinued operations, after the elimination of intercompany transactions (note A4.1(a)), the statement of comprehensive income from discontinued operations (note A4.1(b)) and net cash flows from discontinued operations (note 4.1(c)) for the year ended 31 December 2017. Comparative information for the year ended 31 December 2016 has been re-presented as required by IFRS.

##### (a) Income Statement from discontinued operations

		Year ended 31 December		
	Notes	2017	2016	2015
		(R million)		
<b>Revenue</b>				
Gross earned premiums		2,534	2,834	3,015
Outward reinsurance		(1,498)	(1,674)	(1,605)
Net earned premiums		1,036	1,160	1,410
Investment return (non-banking)		88,730	128,467	25,688
Banking interest and similar income		75,150	73,269	60,225
Banking trading, investment and similar income		4,860	4,797	4,058
Fee and commission income, and income from service activities		44,193	51,247	48,877
Other income		201	854	521
<b>Total revenue</b>		<b>214,170</b>	<b>259,794</b>	<b>140,779</b>
<b>Expenses</b>				
Claims and benefits (including change in insurance contract provisions)		(2,651)	(3,961)	(3,304)
Reinsurance recoveries		2,388	3,373	1,859
Net claims and benefits incurred		(263)	(588)	(1,445)
Change in investment contract liabilities		(73,874)	(113,022)	(20,722)
Credit impairment charges		(3,308)	(4,555)	(4,788)
Finance costs		(103)	(166)	(39)
Banking interest payable and similar expenses		(46,838)	(46,052)	(35,752)
Fee and commission expenses, and other acquisition costs		(6,191)	(8,150)	(8,723)
Change in third-party interest in consolidated funds		(11,045)	(11,444)	(1,353)
Other operating and administrative expenses		(51,255)	(55,268)	(48,874)
<b>Total expenses</b>		<b>(192,877)</b>	<b>(239,245)</b>	<b>(121,696)</b>
Share of associated undertakings' and joint ventures' (losses)/ profits after tax		(779)	115	1,034
Profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments		163	118	(1,916)
Expense related to disposal of US Life previously presented as discontinued		–	–	(406)
<b>Profit before tax from discontinued operations</b>		<b>20,677</b>	<b>20,782</b>	<b>17,795</b>
Income tax expense	D1(e)	(5,825)	(7,212)	(4,390)
<b>Profit after tax from discontinued operations</b>		<b>14,852</b>	<b>13,570</b>	<b>13,405</b>
<b>Attributable to:</b>				
Equity holders of the parent		8,721	7,854	7,703
Non-controlling interests				
Ordinary shares		5,541	5,277	5,331
Preferred securities		590	439	371
<b>Profit after tax from discontinued operations</b>		<b>14,852</b>	<b>13,570</b>	<b>13,405</b>

**(b) Statement of comprehensive income from discontinued operations**

	Year ended 31 December		
	2017	2016	2015
		(R million)	
<b>Profit after tax from discontinued operations</b>	<b>14,852</b>	13,570	13,405
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Fair value movements – property revaluation	190	21	167
Net measurement gains/(losses) on defined benefit plans	538	(424)	288
Income tax on items that will not be reclassified to profit or loss	(151)	114	–
	<b>577</b>	(289)	455
<b>Items that may be reclassified subsequently to profit or loss</b>			
Available-for-sale investments			
Fair value gains/(losses)	22	(73)	(4)
Reclassified to profit or loss	–	–	(89)
Currency translation differences/exchange differences on translating foreign operations	(1,277)	(2,949)	1,550
Share of other comprehensive income of investments accounted for using the equity method	728	(13)	57
Other movements	45	(298)	(85)
	<b>(482)</b>	(3,333)	1,429
<b>Total other comprehensive income for the financial year from discontinued operations</b>	<b>95</b>	(3,622)	1,884
<b>Total comprehensive income for the financial year from discontinued operations</b>	<b>14,947</b>	9,948	15,289
Attributable to:			
Equity holders of the parent	8,798	6,121	8,649
Non-controlling interests			
Ordinary shares	5,559	3,388	6,269
Preferred securities	590	439	371
	<b>14,947</b>	9,948	15,289

**(c) Net cash flows from discontinued operations**

	Year ended 31 December		
	2017	2016	2015
		(R million)	
Operating activities	104,199	83,505	98,639
Investing activities	(90,634)	(86,292)	(82,771)
Financing activities <sup>1</sup>	(3,344)	9,283	2,660
<b>Net cash flows from discontinued operations</b>	<b>10,221</b>	6,496	18,528

1. Excludes dividend and financing payments made to Old Mutual plc.

**A4.2: Assets and liabilities held-for-sale and distribution**

The following table presents detail of the assets and liabilities that have been classified as held-for-sale and distribution at 31 December 2017. More information on material assets and liabilities held for distribution can be found in the notes to which they relate and information on other held-for-sale assets and liabilities can be found in note A4.2.2. Accounting standards do not require comparative periods to be re-presented for assets and liabilities classified as held-for-sale and distribution. The comparative information at 31 December 2016 as presented in the consolidated statement of financial position therefore includes the assets and liabilities of the Group on a line-by-line basis. Note A4.2 should be read in conjunction with the consolidated statement of financial position to obtain a comparable view of the Group's assets and liabilities at 31 December 2017.

(R million)

		Held for distribution		Held-for-sale				
		Nedbank	Old Mutual Wealth	Emerging Markets	Nedbank	Old Mutual Wealth	Elimination of intra-segment balances	Total
<b>At 31 December 2017</b>	<b>Notes</b>							
<b>Assets</b>								
Goodwill and other intangible assets	H1	11,130	20,121	–	–	3,318	–	34,569
Mandatory reserve deposits with central banks		19,222	–	–	–	–	–	19,222
Property, plant and equipment		8,902	307	–	388	3	–	9,600
Investment property		–	–	718	–	–	–	718
Deferred tax assets	H7(a)	189	361	–	–	158	–	708
Investments in associated undertakings and joint ventures		6,722	45	–	–	–	–	6,767
Deferred acquisition costs	H3	–	9,304	–	–	74	–	9,378
Reinsurers' share of policyholder liabilities	G6.1	93	48,724	–	–	–	–	48,817
Loans and advances	G1.1	710,329	3,342	–	–	–	(384)	713,287
Investments and securities	G2.1	158,651	1,078,275	–	–	1	–	1,236,927
Current tax receivable		211	4	–	–	–	–	215
Trade, other receivables and other assets		17,499	8,359	–	–	3,396	(2,139)	27,115
Derivative financial instruments	G4.1	29,904	1,464	–	–	–	(505)	30,863
Cash and cash equivalents		16,900	33,005	–	–	2,470	(2,118)	50,257
<b>Total assets</b>		<b>979,752</b>	<b>1,203,311</b>	<b>718</b>	<b>388</b>	<b>9,420</b>	<b>(5,146)</b>	<b>2,188,443</b>
<b>Liabilities</b>								
Life insurance contract liabilities	G6.1	2,277	8,190	–	–	–	–	10,467
Investment contract liabilities	G6.1	18,134	990,961	–	–	–	–	1,009,095
Third-party interests in consolidated funds		–	127,427	–	–	–	–	127,427
Borrowed funds	G7.1	51,576	–	–	–	–	(784)	50,792
Provisions and accruals	H5	2	1,739	–	–	–	–	1,741
Deferred revenue	H6	8	3,588	–	–	–	–	3,596
Deferred tax liabilities	H7(b)	642	3,350	–	–	–	–	3,992
Current tax payable		259	641	–	–	555	–	1,455
Trade, other payables and other liabilities		23,887	22,352	–	–	3,115	(11,098)	38,256
Amounts owed to bank depositors	G8.1	771,584	–	–	–	–	(4,707)	766,877
Derivative financial instruments	G4.1	23,367	7,252	–	–	–	(558)	30,061
Inter-segment funding – liabilities		–	13,102	–	–	–	(13,102)	–
<b>Total liabilities</b>		<b>891,736</b>	<b>1,178,602</b>	<b>–</b>	<b>–</b>	<b>3,670</b>	<b>(30,249)</b>	<b>2,043,759</b>
<b>Net assets</b>		<b>88,016</b>	<b>24,709</b>	<b>718</b>	<b>388</b>	<b>5,750</b>	<b>25,103</b>	<b>144,684</b>

The following table show the assets and liabilities that have been classified as held-for-sale at 31 December 2016. Refer to note A4.2.2 for more information:

<b>At 31 December 2016</b>	Emerging Markets	Nedbank	Old Mutual Wealth	Institutional Asset Management	Total
			(R million)		
<b>Assets</b>	–	–	1,328	20,612	21,940
Investment properties	1,961	–	–	–	1,961
Property, plant and equipment	59	287	–	547	893
Deferred tax assets	–	–	54	4,192	4,246
Investments in associated undertakings and joint ventures	–	–	–	486	486
Deferred acquisition costs	–	–	1,069	548	1,617
Investments and securities	–	–	104,943	2,789	107,732
Trade, other receivables and other assets	–	–	2,152	2,644	4,796
Cash and balances with central banks	–	–	229	1,400	1,629
<b>Total assets</b>	2,020	287	109,775	33,218	145,300
<b>Liabilities</b>					
Life insurance contract liabilities	–	–	167	–	167
Investment contract liabilities	–	–	104,346	–	104,346
Borrowed funds	–	–	–	5,409	5,409
Provisions	–	–	43	54	97
Deferred revenue	–	–	79	–	79
Deferred tax liabilities	–	–	364	64	428
Current tax payable	–	–	–	1,143	1,143
Trade, other payables and other liabilities	12	–	1,199	6,578	7,789
<b>Total liabilities</b>	12	–	106,198	13,248	119,458
<b>Net assets</b>	2,008	287	3,577	19,970	25,842

The following table shows the assets and liabilities that have been classified as held-for-sale at 31 December 2015. Refer to note A4.2.2 for more information:

At 31 December 2015	Emerging Markets	Nedbank	Old Mutual Wealth	Institutional Asset Management	Total
(R million)					
<b>Assets</b>					
Goodwill and other intangible assets	–	–	–	23	23
Investment properties	1,923	2	–	–	1,925
Property, plant and equipment	92	–	–	23	115
Deferred acquisition costs	–	–	–	46	46
Trade, other receivables and other assets	–	–	–	243	243
Cash and balances with central banks	–	–	–	456	456
<b>Total assets</b>	<b>2,015</b>	<b>2</b>	<b>–</b>	<b>791</b>	<b>2,808</b>
<b>Liabilities</b>					
Trade, other payables and other liabilities	–	–	–	268	268
<b>Total liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>268</b>	<b>268</b>
<b>Net assets</b>	<b>2,015</b>	<b>2</b>	<b>–</b>	<b>523</b>	<b>2,540</b>

#### A4.2.1: Impairment testing relating to the assets held-for-sale and distribution

At 31 December 2017, no impairment losses have been recognised for the Nedbank and Old Mutual Wealth businesses, which have been classified and presented as discontinued operations in the consolidated income statement and as held for distribution in the consolidated statement of financial position in terms of the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. This reflects the fact that fair value less cost to distribute of each business was determined to be in excess of the carrying value of each business at 31 December 2017.

The fair value less cost to distribute of Nedbank was determined by reference to its quoted market price per share and the ZAR/GBP foreign exchange rate as at 31 December 2017. At 31 December 2017, the fair value less cost to distribute exceeded the carrying value of Nedbank. The Group therefore concluded that goodwill and other intangible assets related to the Nedbank are not impaired.

The fair value less cost to distribute of Old Mutual Wealth is not observable in a quoted active market and accordingly it has been determined by reference to external broker valuation reports and an internal valuation performed for goodwill impairment testing. As such, the conclusion of this matter has required significant judgement and the use of estimates.

At 31 December 2017, the Group has concluded that the fair value less costs to distribute exceeded the carrying value of Old Mutual Wealth and therefore no impairment losses of goodwill and other intangible assets have been recognised.

In addition, no other impairments for property, plant and equipment, investment properties or other intangible assets have been recognised as a result of classifying these businesses as held for distribution.

#### A4.2.2: Analysis of other held-for-sale assets and liabilities

The following provides details of other significant held-for-sale assets and liabilities not analysed elsewhere in these consolidated financial statements:

##### Emerging Markets

##### Assets classified as held-for-sale at 31 December 2017, 31 December 2016 and 31 December 2015

At 31 December 2017, Emerging Markets classified R718 million (2016: R1,961 million; 2015: R1,923 million) of investment properties as held-for-sale as it is expected that they will be sold within 12 months of the reporting date.

## **Nedbank**

### **Assets classified as held-for-sale at 31 December 2017 and 31 December 2016**

Following an internal review of its own office space requirements, at 31 December 2017, Nedbank classified as held-for-sale buildings with a carrying value of R388 million (2016: R287 million; 2015: Rnil) that are no longer required and which are being marketed for sale. Transfer of these properties is expected to complete within the next 12 months of the reporting date.

## **Old Mutual Wealth**

### **Assets and liabilities classified as held-for-sale at 31 December 2017**

On 19 December 2017, the Group announced that it has agreed to sell the Single Strategy asset management business of Old Mutual Wealth to the Single Strategy Management team and funds managed by TA Associates. The proposed transaction is subject to customary closing conditions, including regulatory approvals and conditions relating to the transfer of the Multi-asset business to be retained by Old Mutual Wealth. At 31 December 2017, the related assets and liabilities have been classified as held-for-sale. Refer to note A2 for more information.

No impairment loss was recognised in profit or loss for the year ended 31 December 2017, as the expected net proceeds in the region of R10.1 million (c.£600 million) is in excess of the fair value of less cost to sell.

### **Assets and liabilities classified as held-for-sale at 31 December 2016**

On 9 August 2016, the Group announced that it had agreed to sell Old Mutual Wealth Italy, part of the Old Mutual Wealth business, to ERGO Italia (now renamed Phlavia Investimenti), subject to regulatory approval. From this date the business was disclosed as held-for-sale. At 31 December 2016, total assets of R109,775 million and total liabilities of R106,198 million relating to Old Mutual Wealth Italy were classified as held-for-sale. The principal financial assets and liabilities included within these amounts were investments and securities of R104,943 million and investment contract liabilities of R104,513 million, all of which were classified as Level 1 in terms of the fair value hierarchy.

A goodwill impairment loss of R917 million was recognised in profit or loss for the year ended 31 December 2016 as the net asset value of the business exceeded the net proceeds.

The sale was completed on 9 January 2017.

## **Institutional Asset Management**

### **Assets and liabilities classified as held-for-sale at 31 December 2016**

On 9 March 2016, the Group announced its managed separation strategy, which included the phased reduction of the majority stake in OM Asset Management plc (OMAM). As such, the assets and liabilities of OMAM, part of the Institutional Asset Management segment were classified as held-for-sale at 31 December 2016.

At 31 December 2016, the market value of the Group's investment in OMAM, based on its quoted share price, was R14,632 million, compared to a carrying value of R10,207 million. The Group therefore concluded that the goodwill related to OMAM was not impaired.

At 31 December 2017, the Group held 1,000 shares in OMAM. Refer to note A2 for more information.

### **Assets and liabilities classified as held-for-sale at 31 December 2015**

At 31 December 2015, the Group classified total assets of R791 million (comprising R456 million cash and cash equivalents and R335 million other assets) and total liabilities of R268 million as held-for-sale in relation to the disposal of Rogge Global Partners plc. This transaction completed on 31 May 2016.



**A5: Liquidity analysis of the consolidated statement of financial position**

The Group's consolidated statement of financial position is in order of liquidity as is permitted by IAS 1 'Presentation of Financial Statements'. In order to satisfy the requirements of IAS 1, the following analysis is given to describe how the statement of financial position lines are categorised between current and non-current balances, applying the principles laid out in IAS 1.

Consolidated statement of financial position captions generally expected to be recovered no more than 12 months after the reporting date are classified as current and as non-current if the expected recovery or settlement date is more than 12 months after the reporting date.

**A6: Standards, amendments to standards, and interpretations adopted in the 2017 consolidated financial statements**

The following amendments to the accounting standards, issued by the IASB have been adopted by the Group from 1 January 2017 with no material impact on the Group's consolidated results, financial position or disclosures:

- Amendments to IAS 12 'Income Taxes', recognition of deferred tax assets for unrealised losses, effective for annual periods beginning on or after 1 January 2017;
- Amendments to IAS 7 'Statement of Cash Flows', disclosure initiative, effective for annual periods beginning on or after 1 January 2017; and
- Amendments to IFRS 12 'Disclosure of Interests in other entities' (part of Improvements to IFRS 2014 to 2016 Cycle).

**A7: Future standards, amendments to standards and interpretations not early-adopted in the 2017 annual financial statements**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group:

- IFRS 9: 'Financial Instruments'
- IFRS 15: Revenue from Contracts with Customers
- IFRS 16: Leases
- IFRS 17: Insurance Contracts

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

One of the Group's associate investments, ETI, held by its 54% subsidiary, Nedbank, will report results for the year ended 31 December 2017 subsequent to the release of the Group's audited consolidated financial statements. As allowed by IAS 28, the Group uses ETI's most recent public information (the quarter ended 30 September 2017) to determine its share of ETI's earnings. As ETI's most recent public information does not include the transitional impact of IFRS 9 and IFRS 15, the Group's disclosure of the transitional impact of these standards excludes our share of ETI's transitional impact.

**– IFRS 9 'Financial Instruments'**

IFRS 9: Financial Instruments (IFRS 9) was issued in July 2014 and will replace IAS 39: Financial Instruments: Recognition and Measurement. The standard is effective and will be implemented by the Group from 1 January 2018. The final version of this standard incorporates amendments to the classification and measurement, hedge accounting guidance, as well as the accounting requirements for the impairment of financial assets measured at amortised cost and fair value through other comprehensive income. IFRS 7's enhanced disclosure requirements, as a result of the adoption of IFRS 9, will result in improved credit risk disclosures and increased transparency with respect to impairment judgements and estimates.

The business that is most impacted by the implementation of IFRS 9 is Nedbank which has been classified as 'held for distribution' as at 31 December 2017.

As permitted by the transitional provisions of IFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amount of financial assets and financial liabilities at the date of transition will be recognised in the opening retained earnings and other reserves at 1 January 2018. The Group has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9. Furthermore, on the adoption of IFRS 9, the Group has adopted the amendment to IFRS 9 'Prepayment Features with Negative Compensation'.

**Classification and measurement**

Financial assets are classified based on (i) the business model within which the financial assets are held and managed and (ii) the contractual cash flow characteristics of the financial assets, whether the cash flows represent 'solely payments of principal and interest'.

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold those assets for the purpose of collecting contractual cashflows and those cashflows comprise solely payments of principal and interest ('hold to collect' business model).

Financial assets are measured at fair value through other comprehensive income (FVOCI) if they are held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets and those contractual cashflows comprise solely payments of principal and interest ('hold to collect and sell business model'). Movements in the carrying amount of these financial assets should be taken through other comprehensive income (OCI), except for impairment gains or losses, interest revenue and foreign exchange gains or losses, which are recognised in profit or loss. Where the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The remaining financial assets are measured at fair value through profit or loss (FVTPL). All derivative instruments that are either financial assets or financial liabilities will continue to be classified as held for trading and measured at fair value through profit or loss.

The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at FVTPL. Changes in the fair value of these financial liabilities that are attributable to the Group's own credit risk are recognised in OCI. Where the financial liability is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified within equity.

For equity investments that are neither held for trading nor contingent consideration, the Group may irrevocably elect to present subsequent changes in fair value of these equity investments in other comprehensive income (OCI). Where the equity investment is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified within equity. Alternatively where the Group does not make the aforementioned election, fair value changes are recognised in profit or loss. This election is made on an investment by investment basis.

On the initial application of IFRS 9, an entity may revoke its previous designation of financial assets and financial liabilities measured at fair value through profit or loss (fair value option) with the loans being reclassified into amortised cost or FVOCI depending on the entity's business model for the asset.

### **Impairments**

Impairments in terms of IFRS 9 will be determined based on an expected credit loss (ECL) model rather than the current incurred loss model required by IAS 39. The Group will be required to recognise an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The aforementioned probability-weighted outcome must consider the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is low.

The ECL model applies to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments as well as financial guarantee contracts.

The IFRS 9 impairment implementation progressed during 2017. The following were the main areas of focus for 2017:

- Finalisation of the IFRS 9 impairment model methodology
- Implementation of an IT framework facilitating efficient model execution and management
- Development, build and testing of IFRS 9 impairment models with respect to a substantial portion of the Group's portfolios, leveraging off the aforementioned IT framework; and
- Documentation and implementation of the relevant control environment and related governance processes.

### **Transitional impact**

The implementation of the IFRS 9 ECL requirements increases balance sheet impairments, predominantly in loans and advances, at 1 January 2018 by approximately R4.1 billion with reserves decreasing by approximately R3.0 billion on an after-tax basis. The following areas will continue to receive attention as the implementation of IFRS 9 progresses during the 2018 financial reporting period:

- The embedding of the IT framework into the operations of the business
- Further refinement of certain models
- The documentation; implementation of the relevant control environment and related governance processes
- Finalisation of the reporting and disclosure framework, and completion of the supporting business rules; and
- Observing local and international industry trends with respect to IFRS 9 adoption.

The majority of the impact of the adoption of IFRS 9 ECL requirements will be in Nedbank, which is the Group's 55% owned subsidiary. Nedbank has reported that they are expecting increases in balance sheet impairments at 1 January 2018 by approximately R3.2 billion with reserves decreasing by approximately R2.3 billion on an after-tax basis.

The impact on reserves of the new impairment requirements is management's best estimate and this could change when the Financial Statements are presented for the year ending 31 December 2018.

The Group has implemented the following classification and measurement changes on adoption of IFRS 9:

- Revocation of the fair value through profit or loss designation for certain loans and advances, amounts owed to depositors and long-term debt instruments to facilitate the implementation of macro fair-value hedge accounting of interest rate risk and hedge accounting of inflation risk. It is anticipated that the aforementioned changes will reduce accounting volatility experienced with respect to fair value through profit or loss accounting;
- Classified certain debt instruments as fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch;
- Reclassified certain loans from amortised cost including the IFRS 9 ECL impact above to FVOCI and FVTPL due to the Group's business models for the affected portfolios; and
- Reviewed the effective interest rate calculation for certain loans based on the additional guidance provided in IFRS 9.

The current estimates of the impact of the implementation of the IFRS 9 classification and measurement requirements decreases reserves at 1 January 2018 by approximately R452 million, comprising R201 million relating to the businesses classified as held for distribution and R251 million relating to continuing businesses.

Ongoing work is continuing in the Group to finalise the implementation of classification and measurement. Therefore, these estimates are based on current information available and accounting policies, assumptions, judgements and estimation techniques which will be regularly reviewed and assessed during the year in preparation for the financial statements for the year ending 31 December 2018.

The impact of the adoption in the standards is not expected to result in the capital ratios of the businesses being below their statutory minimum.

### **IFRS 15 'Revenue from Contracts with Customers'**

IFRS 15 'Revenue from Contracts with Customers' (IFRS 15) replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with clients, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments. The standard is effective and will be implemented by the Group from 1 January 2018. The Group has applied the standard retrospectively with the cumulative effect of initial application recognised in opening retained earnings at 1 January 2018 and accordingly the Group will not restate comparative figures.

The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the client. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition.

Nedbank performed an assessment to determine the impact of the new standard on the Group's statement of financial position and performance, which has to date resulted in the measurement of the Group's customer loyalty programmes being reviewed.

Nedbank has concluded that loyalty points awarded to clients represent consideration payable to our customer's customer in terms of IFRS 15's guidance. IFRS 15 requires revenue to be decreased by the amount expected to be payable to customers, which is recognised as a liability until payment is affected. The liability for the amount expected to be paid to customers under the loyalty programme increases by approximately R300 million on transition and R216 million on an after-tax basis.

Based on a high level evaluation by the other businesses, the Group has assessed that there should be no material impacts on the adoption of the standard although this work, principally in the asset management business, is ongoing.

### **IFRS 16 'Leases'**

IFRS 16 'Leases' (IFRS 16) was issued in January 2016 and replaces IAS 17 Leases and its related interpretations for reporting periods beginning on or after 1 January 2019. All of the Group's businesses will be impacted by the adoption of IFRS 16.

The Group as lessee: IFRS 16 introduces a 'right of use' model whereby the lessee recognises a right-of-use asset and an associated financial obligation to make lease payments for all leases with a term of more than 12 months. The asset will be amortised over the lease term and the financial liability measured at amortised cost with interest recognised in profit or loss using the effective interest rate method.

The Group as lessor: IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify and account for its leases as operating leases or finance leases.

The Group is in the process of assessing the impact of IFRS 16 and which transitional approach it will follow.

### **IFRS 17 'Insurance Contracts'**

The IASB issued IFRS 17 'Insurance Contracts' (IFRS 17) in May 2017 as a replacement for IFRS 4 Insurance Contracts. The adoption of this standard will primarily impact the Emerging Markets and Old Mutual Wealth businesses.

The new IFRS 17 standard is effective for reporting periods beginning on or after 1 January 2021. The new rules will affect the financial statements and key performance indicators of all entities in the Group that issue insurance contracts or investment contracts with discretionary participation features.

The Group will commence assessing the impact of IFRS 17 during 2018.

**B: Segment information****B1: Basis of segmentation****Segment presentation****Composition of segments**

The Group's reported segments are Emerging Markets, Nedbank, Old Mutual Wealth, Institutional Asset Management (IAM), plc Head Office, (which includes the plc Parent Company and the other centre companies of the Group, which typically own and manage the Group's interests) and Old Mutual Bermuda.

For the years ended 31 December 2017, 31 December 2016 and 31 December 2015, Emerging Markets and plc Head Office and Old Mutual Bermuda have been classified as continuing operations in the IFRS consolidated income statement, while Nedbank and Old Mutual Wealth have been classified as discontinued operations for the years ended 31 December 2017, 31 December 2016 and 31 December 2015. Institutional Asset Management (IAM) has been classified as a discontinued operation in the IFRS consolidated income statement for the years ended 31 December 2016 and 31 December 2015. The classification of these businesses as discontinued operations is consistent with the requirements of IFRS, given the Group's stated strategic intentions.

Nedbank and Old Mutual Wealth have further been classified as held for distribution in the consolidated statement of financial position at 31 December 2017. IAM was classified as held-for-sale at 31 December 2016. Refer to note A4 for more information.

Consolidation adjustments comprise the consolidation of investment funds and eliminations of inter-segment transactions.

**Segmental treatment of businesses classified as discontinued operations**

During the year, the Group sold down its holding in IAM through a number of separate transactions which were completed on 18 November 2017. As a result of these transactions the IAM operating segment for the year ended 31 December 2017 includes the consolidated operating results of OMAM for the period from 1 January 2017 to 19 May 2017, at which time Group ceased to have a controlling interest to exert significant influence over OMAM. Consistent with accounting guidance applicable where an associate investment is classified as held-for-sale, the Group's remaining investment in OMAM was recorded as an investment in securities from 19 May 2017 to 30 June 2017. From 1 July 2017 to 18 November 2017, the Group's remaining interest in OMAM was reflected as an investment in securities. On 18 November 2017, the Group's stake in OMAM further reduced to 1,000 shares which are currently recorded as investments and securities within the plc Head Office segment. Refer to note A2 for more information.

The operating result of IAM for the year ended 31 December 2016 also includes Rogge Global Partners Limited up to the date of disposal on 31 May 2016.

For the year ended 31 December 2015, other items disclosed as discontinued operations relate to payments in respect of the disposal of US Life in 2011. Further detail is included in note A4.

The Group's segmental results for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 are analysed and reported on a basis consistent with the way that management and the Board of Old Mutual plc assesses performance of the underlying businesses and allocates resources. Information is presented to the Board on a consolidated IFRS basis in pound sterling and in the functional currency of each business. The presentation currency is South African Rand.

**Revenues generated by the segments**

The revenues generated in each reported segment can be seen in the analysis of profit or loss in note B3. The segmental information in notes B3 and B4, reflects the IFRS measures of profit or loss and the assets and liabilities for each operating segment as provided to management and the Board. There are no differences between the measurement of the assets and liabilities reflected in the primary statements and that reported for the segments.

The Group is primarily engaged in the following business activities from which it generates revenue: life assurance (premium income), asset management (fee and commission income), banking (banking interest receivable and investment banking income) and property and casualty (premium income). Other revenue includes gains and losses on investment securities. An analysis of segment revenues and expenses and the Group's revenues and expenses is shown in note B3.

The principal lines of business from which each operating segment derives its revenues are as follows:

**Continuing businesses:**

- Emerging Markets – life assurance, property and casualty, asset management and banking
- Plc Head Office – plc Parent Company and the other centre companies
- Old Mutual Bermuda – life assurance

**Discontinued operations and assets and liabilities held-for-sale and distribution**

- Nedbank – banking, asset management and life assurance
- Old Mutual Wealth – life assurance and asset management
- Institutional Asset Management – asset management

**B2: Gross insurance premium revenue**

	R million
<b>Year ended 31 December 2017</b>	<b>Emerging Markets</b>
Life insurance contracts	28,101
Investment contracts with discretionary participation features	28,219
Property and casualty insurance contracts	16,136
<b>Gross insurance premium revenue</b>	<b>72,456</b>
<b>Life assurance – unit-linked and similar contracts and other investment contracts recognised as deposits</b>	<b>32,364</b>
	R million
<b>Year ended 31 December 2016</b>	<b>Emerging Markets</b>
Life insurance contracts	27,763
Investment contracts with discretionary participation features	30,386
Property and casualty insurance contracts	16,114
<b>Gross insurance premium revenue</b>	<b>74,263</b>
<b>Life assurance – unit-linked and similar contracts and other investment contracts recognised as deposits</b>	<b>33,012</b>
	R million
<b>Year ended 31 December 2015</b>	<b>Emerging Markets</b>
Life insurance contracts	28,671
Investment contracts with discretionary participation features	23,834
Property and casualty insurance contracts	14,540
<b>Gross insurance premium revenue</b>	<b>67,045</b>
<b>Life assurance – unit-linked and similar contracts and other investment contracts recognised as deposits</b>	<b>39,425</b>

## B3: Consolidated income statement – segment information for the year ended 31 December 2017

(R million)																
Continuing operations								Discontinued operations								
Notes	Emerging Markets	plc Head Office <sup>1</sup>	Old Mutual Bermuda	Consolidation of funds	Elimination of intra-segment transactions	Total continuing operations	Nedbank	Old Mutual Wealth	Institutional Asset Management	Consolidation of funds	Elimination of intra-segment transactions	Total discontinued operations	Consolidation adjustments <sup>1</sup>	Transfer to discontinued operations <sup>1</sup>	Consolidated income statement	
<b>Continuing operations</b>																
<b>Revenue</b>																
Gross insurance premium revenue	B2	72,456	–	–	–	72,456	–	2,534	–	–	–	2,534	–	(2,534)	72,456	
Outward reinsurance		(6,713)	–	–	–	(6,713)	–	(1,498)	–	–	–	(1,498)	–	1,498	(6,713)	
Net earned premiums		65,743	–	–	–	65,743	–	1,036	–	–	–	1,036	–	(1,036)	65,743	
Investment return (non-banking)	D2	83,626	103	(454)	11,468	94,743	–	75,845	103	12,782	–	88,730	(822)	(88,730)	93,921	
Banking interest and similar income	D3	4,394	–	–	–	4,394	75,150	–	–	–	–	75,150	–	(75,150)	4,394	
Banking trading, investment and similar income	D4	97	–	–	–	97	4,860	–	–	–	–	4,860	–	(4,860)	97	
Fee and commission income, and income from service activities	D5	11,837	–	–	–	11,837	18,875	21,658	3,551	149	–	44,233	(330)	(44,193)	11,547	
Other income		1,981	4	–	32	2,017	415	(40)	–	107	–	482	(414)	(201)	1,884	
<b>Total revenue<sup>2</sup></b>		<b>167,678</b>	<b>107</b>	<b>(454)</b>	<b>11,500</b>	<b>178,831</b>	<b>99,300</b>	<b>98,499</b>	<b>3,654</b>	<b>13,038</b>	<b>–</b>	<b>214,491</b>	<b>(1,566)</b>	<b>(214,170)</b>	<b>177,586</b>	
<b>Expenses</b>																
Claims and benefits (including change in insurance contract provisions)		(92,911)	–	1,152	–	(91,759)	–	(2,651)	–	–	–	(2,651)	–	2,651	(91,759)	
Reinsurance recoveries		5,410	–	–	–	5,410	–	2,388	–	–	–	2,388	–	(2,388)	5,410	
Net claims and benefits incurred		(87,501)	–	1,152	–	(86,349)	–	(263)	–	–	–	(263)	–	263	(86,349)	
Change in investment contract liabilities		(30,358)	–	–	–	(30,358)	–	(73,875)	–	–	–	(73,875)	–	73,874	(30,359)	
Credit impairment charges		(715)	–	–	–	(715)	(3,304)	(4)	–	–	–	(3,308)	–	3,308	(715)	
Finance costs	D6	(719)	(3,293)	–	–	(4,012)	–	–	(103)	–	–	(103)	–	103	(4,012)	
Banking interest payable and similar expenses	D7	(1,278)	–	–	–	(1,278)	(46,838)	–	–	–	–	(46,838)	–	46,838	(1,278)	
Fee and commission expenses, and other acquisition costs	D8	(9,025)	–	–	–	(9,025)	(155)	(4,712)	(81)	(1,516)	–	(6,464)	306	6,191	(8,992)	
Change in third-party interest in consolidated funds		–	–	–	(11,405)	(11,405)	–	–	–	(11,044)	–	(11,044)	–	11,044	(11,405)	
Other operating and administrative expenses	D9	(24,021)	(2,551)	(256)	(514)	(27,342)	(31,591)	(17,083)	(3,015)	(478)	–	(52,167)	1,260	51,256	(26,993)	
<b>Total expenses</b>		<b>(153,617)</b>	<b>(5,844)</b>	<b>896</b>	<b>(11,919)</b>	<b>(170,484)</b>	<b>(81,888)</b>	<b>(95,937)</b>	<b>(3,199)</b>	<b>(13,038)</b>	<b>–</b>	<b>(194,062)</b>	<b>1,566</b>	<b>192,877</b>	<b>(170,103)</b>	

(R million)																
	Notes	Continuing operations						Discontinued operations								Consolidated income statement
		Emerging Markets	plc Head Office <sup>1</sup>	Old Mutual Bermuda	Consolidation of funds	Elimination of intra-segment transactions	Total continuing operations	Nedbank	Old Mutual Wealth	Institutional Asset Management	Consolidation of funds	Elimination of intra-segment transactions	Total discontinued operations	Consolidation adjustments <sup>1</sup>	Transfer to discontinued operations <sup>1</sup>	
Share of associated undertakings' and joint ventures' profits/(losses) after tax	I2(a)	160	-	-	-	-	160	(838)	-	59	-	-	(779)	-	779	160
Profit on disposal of subsidiaries, associated undertakings and strategic investments		1,593	394	-	-	-	1,987	-	163	-	-	-	163	-	(163)	1,987
<b>Profit before tax</b>		15,814	(5,343)	442	(419)	-	10,494	16,574	2,725	514	-	-	19,813	-	(20,677)	9,630
Income tax expense	D1(a)	(5,377)	1,066	(30)	-	-	(4,341)	(4,227)	(1,274)	(101)	-	-	(5,602)	-	5,825	(4,118)
<b>Profit from continuing operations after tax</b>		10,437	(4,277)	412	(419)	-	6,153	12,347	1,451	413	-	-	14,211	-	(14,852)	5,512
<b>Discontinued operations</b>						-										
Profit from discontinued operations after tax	A4.1(a)	-	-	-	-	-	-	-	-	-	-	-	-	-	14,852	14,852
<b>Profit/(loss) after tax for the financial year</b>		10,437	(4,277)	412	(419)	-	6,153	12,347	1,451	413	-	-	14,211	-	-	20,364
<b>Attributable to:</b>																
Equity holders of the parent		10,415	(4,116)	412	(419)	-	6,292	6,411	1,451	218	-	-	8,080	-	-	14,372
Non-controlling interests		22	(161)	-	-	-	(139)	5,936	-	195	-	-	6,131	-	-	5,992
<b>Profit/(loss) after tax for the financial year</b>		10,437	(4,277)	412	(419)	-	6,153	12,347	1,451	413	-	-	14,211	-	-	20,364

1. The Basis of segmentation, in note B1, explains the segmental basis of preparation, the composition of the segments and the segmental treatment of businesses classified as discontinued operations.

2. Included within total revenue prior to consolidation adjustments are the following amounts derived from trading with other segments: Emerging Markets: R1,243 million (2016: R1,499 million; 2015: R1,563); Nedbank: R193 million (2016: R170 million; 2015: R65 million); Old Mutual Wealth: R90 million (2016: R45 million; 2015: R53 million); Institutional Asset Management: R39 million (2016: R115 million; 2015: R119 million); and Old Mutual Bermuda: Rnil (2016: Rnil; 2015: R74 million).

## B3: Consolidated income statement – segment information for the year ended 31 December 2016

																(R million)
Continuing operations								Discontinued operations								
	Notes	Emerging Markets	plc Head Office <sup>1</sup>	Old Mutual Bermuda	Consolidation of funds	Elimination of intra-segment transactions	Total continuing operations	Nedbank	Old Mutual Wealth	Institutional Asset Management	Consolidation of funds	Elimination of intra-segment transactions	Total discontinued operations	Consolidation adjustments <sup>1</sup>	Transfer to discontinued operations <sup>1</sup>	Consolidated income statement
<b>Continuing operations</b>																
<b>Revenue</b>																
Gross insurance premium revenue	B2	74,263	–	–	–	–	74,263	–	2,834	–	–	–	2,834	–	(2,834)	74,263
Outward reinsurance		(6,255)	(2)	–	–	–	(6,257)	–	(1,674)	–	–	–	(1,674)	–	1,674	(6,257)
Net earned premiums		68,008	(2)	–	–	–	68,006	–	1,160	–	–	–	1,160	–	(1,160)	68,006
Investment return (non-banking)	D2	35,161	672	(254)	2,773	–	38,352	–	116,154	12	12,301	–	128,467	(897)	(128,467)	37,455
Banking interest and similar income	D3	4,569	–	–	–	–	4,569	73,269	–	–	–	–	73,269	–	(73,269)	4,569
Banking trading, investment and similar income	D4	280	–	–	–	–	280	4,797	–	–	–	–	4,797	–	(4,797)	280
Fee and commission income, and income from service activities	D5	11,723	–	–	–	–	11,723	18,370	22,945	9,975	71	–	51,361	(572)	(51,247)	11,265
Other income		1,285	(12)	–	91	–	1,364	480	227	24	348	(14)	1,065	(345)	(854)	1,230
<b>Total revenue</b>		121,026	658	(254)	2,864	–	124,294	96,916	140,486	10,011	12,720	(14)	260,119	(1,814)	(259,794)	122,805
<b>Expenses</b>																
Claims and benefits (including change in insurance contract provisions)		(69,895)	–	475	–	–	(69,420)	–	(3,961)	–	–	–	(3,961)	–	3,961	(69,420)
Reinsurance recoveries		4,425	–	–	–	–	4,425	–	3,373	–	–	–	3,373	–	(3,373)	4,425
Net claims and benefits incurred		(65,470)	–	475	–	–	(64,995)	–	(588)	–	–	–	(588)	–	588	(64,995)
Change in investment contract liabilities		(10,868)	–	–	–	–	(10,868)	–	(113,022)	–	–	–	(113,022)	–	113,022	(10,868)
Credit impairment charges		(873)	–	–	–	–	(873)	(4,554)	(1)	–	–	–	(4,555)	–	4,555	(873)
Finance costs	D6	(660)	(1,895)	–	–	–	(2,555)	–	–	(166)	–	–	(166)	–	166	(2,555)
Banking interest payable and similar expenses	D7	(1,795)	–	–	–	–	(1,795)	(46,052)	–	–	–	–	(46,052)	–	46,052	(1,795)
Fee and commission expenses, and other acquisition costs	D8	(8,571)	–	–	–	–	(8,571)	(159)	(7,332)	(182)	(951)	–	(8,624)	578	8,150	(8,467)
Change in third-party interest in consolidated funds		–	–	–	(2,336)	–	(2,336)	–	–	–	(11,444)	–	(11,444)	–	11,444	(2,336)
Other operating and administrative expenses	D9	(22,186)	(2,456)	(310)	(528)	–	(25,480)	(31,130)	(17,260)	(7,609)	(325)	14	(56,310)	1,236	55,268	(25,286)
<b>Total expenses</b>		(110,423)	(4,351)	165	(2,864)	–	(117,473)	(81,895)	(138,203)	(7,957)	(12,720)	14	(240,761)	1,814	239,245	(117,175)



																	(R million)
	Continuing operations							Discontinued operations									
	Notes	Emerging Markets	plc Head Office <sup>1</sup>	Old Mutual Bermuda	Consolidation of funds	Elimination of intra-segment transactions	Total continuing operations	Nedbank	Old Mutual Wealth	Institutional Asset Management	Consolidation of funds	Elimination of intra-segment transactions	Total discontinued operations	Consolidation adjustments <sup>1</sup>	Transfer to discontinued operations <sup>1</sup>	Consolidated income statement	
Share of associated undertakings' and joint ventures' profits/(losses) after tax	I2(a)	191	–	–	–	–	191	(106)	(1)	222	–	–	115	–	(115)	191	
Profit on disposal of subsidiaries, associated undertakings and strategic investments		64	199	–	–	–	263	(235)	(1)	354	–	–	118	–	(118)	263	
<b>Profit/(loss) before tax</b>		10,858	(3,494)	(89)	–	–	7,275	14,680	2,281	2,630	–	–	19,591	–	(20,782)	6,084	
Income tax expense	D1(a)	(4,132)	969	(10)			(3,173)	(3,973)	(2,324)	(580)	–	–	(6,877)	–	7,212	(2,838)	
<b>Profit from continuing operations after tax</b>		6,726	(2,525)	(99)	–	–	4,102	10,707	(43)	2,050	–	–	12,714	–	(13,570)	3,246	
<b>Discontinued operations</b>																	
Profit from discontinued operations after tax	A4.1(a)	–	–	–	–	–	–	–	–	–	–	–	–	–	13,570	13,570	
<b>Profit/(loss) after tax for the financial year</b>		6,726	(2,525)	(99)	–	–	4,102	10,707	(43)	2,050	–	–	12,714	–	–	16,816	
<b>Attributable to:</b>																	
Equity holders of the parent		6,977	(2,525)	(99)	–	–	4,353	5,617	(43)	1,424	–	–	6,998	–	–	11,351	
Non-controlling interests		(251)	–	–	–	–	(251)	5,090	–	626	–	–	5,716	–	–	5,465	
<b>Profit/(loss) after tax for the financial year</b>		6,726	(2,525)	(99)	–	–	4,102	10,707	(43)	2,050	–	–	12,714	–	–	16,816	

1. The Basis of segmentation, in note B1, explains the segmental basis of preparation, the composition of the segments and the segmental treatment of businesses classified as discontinued operations.

## B3: Consolidated income statement – segment information for the year ended 31 December 2015

(R million)

RMB million																	
Continuing operations									Discontinued operations								
	Notes	Emerging Markets	plc Head Office <sup>1</sup>	Old Mutual Bermuda	Consolidation of funds	Elimination of intra-segment transactions	Total continuing operations	Nedbank	Old Mutual Wealth	Institutional Asset Management	US Life	Consolidation of funds	Elimination of intra-segment transactions	Total discontinued operations	Consolidation adjustments <sup>1</sup>	Transfer to discontinued operations	Consolidated income statement
<b>Continuing operations</b>																	
<b>Revenue</b>																	
Gross insurance premium revenue	B2	67,045	–	–	–	–	67,045	–	3,015	–	–	–	–	3,015	–	(3,015)	67,045
Outward reinsurance		(4,943)	–	–	–	–	(4,943)	–	(1,605)	–	–	–	–	(1,605)	–	1,605	(4,943)
Net earned premiums		62,102	–	–	–	–	62,102	–	1,410	–	–	–	–	1,410	–	(1,410)	62,102
Investment return (non-banking)	D2	46,639	(46)	(688)	3,242	–	49,147	–	22,668	(33)	–	3,052	–	25,687	(600)	(25,688)	48,546
Banking interest and similar income	D3	4,582	–	–	–	–	4,582	60,225	–	–	–	–	–	60,225	–	(60,225)	4,582
Banking trading, investment and similar income	D4	102	–	–	–	–	102	4,058	–	–	–	–	–	4,058	–	(4,058)	102
Fee and commission income, and income from service activities	D5	10,921	–	–	–	–	10,921	17,456	21,881	9,581	–	77	–	48,995	(821)	(48,877)	10,218
Other income		1,368	(49)	130	17	(75)	1,391	227	277	147	–	34	(22)	663	(351)	(521)	1,182
<b>Total revenue</b>		<b>125,714</b>	<b>(95)</b>	<b>(558)</b>	<b>3,259</b>	<b>(75)</b>	<b>128,245</b>	<b>81,966</b>	<b>46,236</b>	<b>9,695</b>	<b>–</b>	<b>3,163</b>	<b>(22)</b>	<b>141,038</b>	<b>(1,772)</b>	<b>(140,779)</b>	<b>126,732</b>
<b>Expenses</b>																	
Claims and benefits (including change in insurance contract provisions)		(64,295)	–	250	–	–	(64,045)	–	(3,304)	–	–	–	–	(3,304)	–	3,304	(64,045)
Reinsurance recoveries		3,584	–	–	–	–	3,584	–	1,859	–	–	–	–	1,859	–	(1,859)	3,584
Net claims and benefits incurred		(60,711)	–	250	–	–	(60,461)	–	(1,445)	–	–	–	–	(1,445)	–	1,445	(60,461)
Change in investment contract liabilities		(22,281)	–	–	–	–	(22,281)	–	(20,722)	–	–	–	–	(20,722)	–	20,722	(22,281)
Credit impairment charges		(1,214)	–	–	–	–	(1,214)	(4,789)	1	–	–	–	–	(4,788)	–	4,788	(1,214)
Finance costs	D6	(335)	(637)	–	–	–	(972)	–	–	(39)	–	–	–	(39)	–	39	(972)
Banking interest payable and similar expenses	D7	(1,800)	–	–	–	–	(1,800)	(35,752)	–	–	–	–	–	(35,752)	–	35,752	(1,800)
Fee and commission expenses, and other acquisition costs	D8	(7,702)	(68)	(57)	(57)	68	(7,816)	(168)	(7,506)	(123)	–	(1,595)	–	(9,392)	775	8,723	(7,710)
Change in third-party interest in consolidated funds		–	–	–	(3,065)	–	(3,065)	–	–	–	–	(1,353)	–	(1,353)	–	1,353	(3,065)
Other operating and administrative expenses	D9	(20,907)	(2,021)	(230)	(137)	7	(23,288)	(27,381)	(14,749)	(7,401)	–	(215)	22	(49,724)	997	48,874	(23,141)
<b>Total expenses</b>		<b>(114,950)</b>	<b>(2,726)</b>	<b>(37)</b>	<b>(3,259)</b>	<b>75</b>	<b>(120,897)</b>	<b>(68,090)</b>	<b>(44,421)</b>	<b>(7,563)</b>	<b>–</b>	<b>(3,163)</b>	<b>22</b>	<b>(123,215)</b>	<b>1,772</b>	<b>121,696</b>	<b>(120,644)</b>

(R million)

	Continuing operations							Discontinued operations									
	Notes	Emerging Markets	plc Head Office <sup>1</sup>	Old Mutual Bermuda	Consolidation of funds	Elimination of intra-segment transactions	Total continuing operations	Nedbank	Old Mutual Wealth	Institutional Asset Management	US Life	Consolidation of funds	Elimination of intra-segment transactions	Total discontinued operations	Consolidation adjustments <sup>1</sup>	Transfer to discontinued operations	Consolidated income statement
Share of associated undertakings' and joint ventures' profits after tax	I2(a)	284	–	–	–	–	284	871	–	163	–	–	–	1,034	–	(1,034)	284
Profit on disposal of subsidiaries, associated undertakings and strategic investments		290	(9)	(8)	–	–	273	–	(1,933)	17	–	–	–	(1,916)	–	1,916	273
<b>Profit/(loss) before tax</b>		11,338	(2,830)	(603)	–	–	7,905	14,747	(118)	2,312	–	–	–	16,941	–	(18,201)	6,645
Income tax expense	D1(a)	(3,717)	482	(4)	–	–	(3,239)	(3,537)	6	(527)	–	–	–	(4,058)	–	4,390	(2,907)
<b>Profit from continuing operations after tax</b>		7,621	(2,348)	(607)	–	–	4,666	11,210	(112)	1,785	–	–	–	12,883	–	(13,811)	3,738
<b>Discontinued operations</b>																	
Loss from discontinued operations after tax	A4.1(a)	–	–	–	–	–	–	–	–	–	(406)	–	–	(406)	–	13,811	13,405
<b>Profit/(loss) after tax for the financial year</b>		7,621	(2,348)	(607)	–	–	4,666	11,210	(112)	1,785	(406)	–	–	12,477	–	–	17,143
<b>Attributable to:</b>																	
Equity holders of the parent		7,274	(2,348)	(607)	–	–	4,319	6,021	(112)	1,272	(406)	–	–	6,775	–	–	11,094
Non-controlling interests		347	–	–	–	–	347	5,189	–	513	–	–	–	5,702	–	–	6,049
<b>Profit/(loss) after tax for the financial year</b>		7,621	(2,348)	(607)	–	–	4,666	11,210	(112)	1,785	(406)	–	–	12,477	–	–	17,143

1. The Basis of segmentation, in note B1, explains the segmental basis of preparation, the composition of the segments and the segmental treatment of businesses classified as discontinued operations.

## B4: Consolidated statement of financial position – segment information at 31 December 2017

	Notes	Emerging Markets <sup>2</sup>	plc Head Office <sup>1</sup>	Old Mutual Bermuda	Nedbank	Old Mutual Wealth	Consolidation adjustments <sup>1</sup>	Total
(R million)								
<b>Assets</b>								
Goodwill and other intangible assets	H1	6,653	–	–	–	–	–	6,653
Mandatory reserve deposits with central banks		94	–	–	–	–	–	94
Property, plant and equipment	H2(a)	8,078	3	–	–	–	–	8,081
Investment property	H2(b)	31,903	–	–	–	–	–	31,903
Deferred tax assets	H7(a)	1,068	–	16	–	–	–	1,084
Investments in associated undertakings and joint ventures	I2(a)	1,789	–	–	–	–	–	1,789
Deferred acquisition costs	H3	3,101	–	–	–	–	(15)	3,086
Reinsurers' share of policyholder liabilities	G6	7,356	–	–	–	–	(3,136)	4,220
Loans and advances	G1	21,483	–	–	–	–	–	21,483
Investments and securities	G2	652,569	199	921	–	–	68,560	722,249
Current tax receivable		298	748	18	–	–	–	1,064
Trade, other receivables and other assets	H4	19,414	1,656	32	–	–	773	21,875
Derivative financial instruments	G4	4,061	568	29	–	–	(557)	4,101
Cash and cash equivalents		25,314	9,084	1,204	–	–	(4,841)	30,761
Assets held-for-sale and distribution	A4.2	718	–	–	980,140	1,069,661	137,924	2,188,443
Inter-segment funding – assets		–	13,102	388	–	–	(13,490)	–
<b>Total assets</b>		<b>783,899</b>	<b>25,360</b>	<b>2,608</b>	<b>980,140</b>	<b>1,069,661</b>	<b>185,218</b>	<b>3,046,886</b>

	Notes	Emerging Markets <sup>2</sup>	plc Head Office <sup>1</sup>	Old Mutual Bermuda	Nedbank	Old Mutual Wealth	Consolidation adjustments <sup>1</sup>	Total
(R million)								
<b>Liabilities</b>								
Life insurance contract liabilities	G6	159,323	–	191	–	–	–	159,514
Investment contract liabilities with discretionary participating features	G6	193,425	–	–	–	–	–	193,425
Investment contract liabilities	G6	291,300	–	–	–	–	(3,136)	288,164
Property & casualty liabilities	G6	8,285	–	–	–	–	–	8,285
Third-party interests in consolidated funds		–	–	–	–	–	81,573	81,573
Borrowed funds	G7	11,530	7,720	–	–	–	(384)	18,866
Provisions and accruals	H5	1,847	313	225	–	–	–	2,385
Deferred revenue	H6	1,394	–	–	–	–	(16)	1,378
Deferred tax liabilities	H7(b)	5,088	–	–	–	–	–	5,088
Current tax payable		1,521	187	3	–	–	–	1,711
Trade, other payables and other liabilities	H8	42,631	1,643	102	–	–	(2,021)	42,355
Amounts owed to bank depositors	G8	12,440	–	–	–	–	–	12,440
Derivative financial instruments	G4	5,002	–	–	–	–	(504)	4,498
Liabilities held-for-sale and distribution	A4.2	–	–	–	891,736	1,026,097	125,926	2,043,759
Inter-segment funding – liabilities		–	388	–	–	13,102	(13,490)	–
<b>Total liabilities</b>		<b>733,786</b>	<b>10,251</b>	<b>521</b>	<b>891,736</b>	<b>1,039,199</b>	<b>187,948</b>	<b>2,863,441</b>
<b>Net assets<sup>1</sup></b>		<b>50,113</b>	<b>15,109</b>	<b>2,087</b>	<b>88,404</b>	<b>30,462</b>	<b>(2,730)</b>	<b>183,445</b>
<b>Equity</b>								
Equity attributable to equity holders of the parent		46,393	15,109	2,087	45,357	30,462	(2,730)	136,678
Non-controlling interests		3,720	–	–	43,047	–	–	46,767
Ordinary shares	H10(b)(i)	3,720	–	–	37,190	–	–	40,910
Preferred securities	H10(b)(ii)	–	–	–	5,857	–	–	5,857
<b>Total equity</b>		<b>50,113</b>	<b>15,109</b>	<b>2,087</b>	<b>88,404</b>	<b>30,462</b>	<b>(2,730)</b>	<b>183,445</b>

1. The Basis of segmentation, in note B1, explains the segmental basis of preparation, the composition of the segments and the segmental treatment of businesses classified as discontinued operations.

2. The net assets of Emerging Markets exclude R7,244 million (2016: R4,375 million; 2015: R3,800 million) of investments held by policyholder funds in Group equity and debt instruments. These investments are in the Company's ordinary shares and in the subordinated liabilities and preferred securities issued by Nedbank.

## B4: Consolidated statement of financial position – segment information at 31 December 2016

	Notes	Emerging Markets <sup>2</sup>	plc Head Office <sup>1</sup>	Old Mutual Bermuda	Nedbank	Old Mutual Wealth	Institutional Asset Management	Consolidation adjustments <sup>1</sup>	Total
(R million)									
<b>Assets</b>									
Goodwill and other intangible assets	H1	7,813	–	1	9,764	24,319	–	–	41,897
Mandatory reserve deposits with central banks		136	–	–	18,700	–	–	–	18,836
Property, plant and equipment	H2(a)	5,842	5	1	8,969	310	–	–	15,127
Investment property	H2(b)	28,747	–	–	22	–	–	–	28,769
Deferred tax assets	H7(a)	955	–	28	494	143	–	–	1,620
Investments in associated undertakings and joint ventures	I2(a)	2,424	180	–	6,567	12	–	–	9,183
Deferred acquisition costs	H3	3,048	–	–	–	9,831	–	(53)	12,826
Reinsurers' share of policyholder liabilities	G6	9,374	–	–	99	48,541	–	(5,190)	52,824
Loans and advances	G1	20,517	–	–	707,077	3,738	–	(426)	730,906
Investments and securities	G2	602,173	5,249	890	149,953	830,248	–	113,592	1,702,105
Current tax receivable		331	–	–	574	350	–	–	1,255
Trade, other receivables and other assets	H4	15,001	2,669	49	16,371	9,623	–	(2,740)	40,973
Derivative financial instruments	G4	3,873	523	453	17,633	–	–	237	22,719
Cash and cash equivalents		31,796	10,360	377	26,384	12,373	–	885	82,175
Assets held-for-sale and distribution	A4.2	2,020	–	–	287	109,775	33,218	–	145,300
Inter-segment funding – assets		–	14,811	979	–	–	–	(15,790)	–
<b>Total assets</b>		<b>734,050</b>	<b>33,797</b>	<b>2,778</b>	<b>962,894</b>	<b>1,049,263</b>	<b>33,218</b>	<b>90,515</b>	<b>2,906,515</b>

	Notes	Emerging Markets <sup>2</sup>	plc Head Office <sup>1</sup>	Old Mutual Bermuda	Nedbank	Old Mutual Wealth	Institutional Asset Management	Consolidation adjustments <sup>1</sup>	Total
(R million)									
<b>Liabilities</b>									
Life insurance contract liabilities	G6	157,835	–	1,424	2,922	7,062	–	–	169,243
Investment contract liabilities with discretionary participating features	G6	170,963	–	–	–	–	–	–	170,963
Investment contract liabilities	G6	265,120	–	–	15,342	869,467	–	(5,197)	1,144,732
Property & casualty liabilities	G6	8,181	–	–	–	–	–	–	8,181
Third-party interests in consolidated funds		–	–	–	–	–	–	135,319	135,319
Borrowed funds	G7	11,767	17,251	–	52,076	–	–	(1,509)	79,585
Provisions and accruals	H5	1,999	94	124	4	498	–	(6)	2,713
Deferred revenue	H6	1,239	–	–	8	3,729	–	(67)	4,909
Deferred tax liabilities	H7(b)	3,441	85	–	667	3,265	–	–	7,458
Current tax payable		1,707	180	2	214	357	–	–	2,460
Trade, other payables and other liabilities	H8	50,051	3,837	80	35,293	13,697	–	(16,280)	86,678
Amounts owed to bank depositors	G8	10,906	–	–	761,542	–	–	(4,225)	768,223
Derivative financial instruments	G4	5,004	655	–	13,296	20	–	706	19,681
Liabilities held-for-sale and distribution	A4.2	12	–	–	–	106,198	13,248	–	119,458
Inter-segment funding – liabilities		72	979	–	–	13,292	1,447	(15,790)	–
<b>Total liabilities</b>		<b>688,297</b>	<b>23,081</b>	<b>1,630</b>	<b>881,364</b>	<b>1,017,585</b>	<b>14,695</b>	<b>92,951</b>	<b>2,719,603</b>
<b>Net assets</b>		<b>45,753</b>	<b>10,716</b>	<b>1,148</b>	<b>81,530</b>	<b>31,678</b>	<b>18,523</b>	<b>(2,436)</b>	<b>186,912</b>
<b>Equity</b>									
Equity attributable to equity holders of the parent		42,115	10,716	1,148	42,532	31,678	8,925	(2,436)	134,678
Non-controlling interests		3,638	–	–	38,998	–	9,598	–	52,234
Ordinary shares	H10(b)(i)	3,638	–	–	33,776	–	9,598	–	47,012
Preferred securities	H10(b)(ii)	–	–	–	5,222	–	–	–	5,222
<b>Total equity</b>		<b>45,753</b>	<b>10,716</b>	<b>1,148</b>	<b>81,530</b>	<b>31,678</b>	<b>18,523</b>	<b>(2,436)</b>	<b>186,912</b>

1. The Basis of segmentation, in note B1, explains the segmental basis of preparation, the composition of the segments and the segmental treatment of businesses classified as discontinued operations.

## B4: Consolidated statement of financial position – segment information at 31 December 2015

	Notes	Emerging Markets <sup>2</sup>	plc Head Office <sup>1</sup>	Old Mutual Bermuda	Nedbank	Old Mutual Wealth	Institutional Asset Management	Consolidation adjustments <sup>1</sup>	Total
(R million)									
<b>Assets</b>									
Goodwill and other intangible assets	H1	9,485	–	4	8,626	36,962	19,686	–	74,763
Mandatory reserve deposits with central banks		114	–	–	16,232	–	–	–	16,346
Property, plant and equipment	H2(a)	6,271	9	1	8,784	444	475	–	15,984
Investment property	H2(b)	28,107	–	–	32	–	–	–	28,139
Deferred tax assets	H7(a)	1,061	(6)	27	227	189	4,987	–	6,485
Investments in associated undertakings and joint ventures	I2(a)	1,368	242	–	9,579	17	530	–	11,736
Deferred acquisition costs	H3	2,167	–	–	–	15,258	541	(80)	17,886
Reinsurers' share of policyholder liabilities	G6	9,957	–	–	93	57,207	–	(6,543)	60,714
Loans and advances	G1	20,820	–	–	681,632	4,116	–	–	706,568
Investments and securities	G2	600,146	10,659	–	131,829	1,068,781	1,835	101,288	1,914,538
Current tax receivable		311	–	–	1,032	615	–	–	1,958
Trade, other receivables and other assets	H4	18,194	2,311	341	11,291	13,801	2,714	(4,248)	44,404
Derivative financial instruments	G4	8,819	1,261	397	30,488	–	–	29,234	70,199
Cash and cash equivalents		26,100	12,042	603	22,841	17,157	2,105	19,818	100,666
Assets held-for-sale and distribution	A4.2	2,015	–	–	2	–	791	–	2,808
Inter-segment funding – assets		–	19,629	1,824	–	–	–	(21,453)	–
<b>Total assets</b>		<b>734,935</b>	<b>46,147</b>	<b>3,197</b>	<b>922,688</b>	<b>1,214,547</b>	<b>33,664</b>	<b>118,016</b>	<b>3,073,194</b>



	Notes	Emerging Markets <sup>2</sup>	plc Head Office <sup>1</sup>	Old Mutual Bermuda	Nedbank	Old Mutual Wealth	Institutional Asset Management	Consolidation adjustments <sup>1</sup>	Total
(R million)									
<b>Liabilities</b>									
Life insurance contract liabilities	G6	165,730	–	–	3,618	6,686	–	–	176,034
Investment contract liabilities with discretionary participating features	G6	161,677	–	–	–	–	–	–	161,677
Investment contract liabilities	G6	261,254	–	1,929	10,988	1,119,035	–	(6,584)	1,386,622
Property & casualty liabilities	G6	7,788	–	–	–	–	–	–	7,788
Third-party interests in consolidated funds		–	–	–	–	–	–	135,740	135,740
Borrowed funds	G7	10,242	25,050	–	44,982	–	1,394	(1,255)	80,413
Provisions and accruals	H5	3,294	438	–	8	765	60	(14)	4,551
Deferred revenue	H6	566	–	–	9	5,788	–	(105)	6,258
Deferred tax liabilities	H7(b)	4,164	392	–	1,027	3,931	–	–	9,514
Current tax payable		1,655	528	4	412	296	1,359	–	4,254
Trade, other payables and other liabilities	H8	47,832	4,839	155	23,642	17,030	6,799	(14,769)	85,528
Amounts owed to bank depositors	G8	11,798	–	–	725,851	–	–	–	737,649
Derivative financial instruments	G4	12,742	82	–	33,628	–	136	29,094	75,682
Liabilities held-for-sale and distribution	A4.2	–	–	–	–	–	268	–	268
Inter-segment funding – liabilities		97	2,127	–	–	16,955	2,274	(21,453)	–
<b>Total liabilities</b>		688,839	33,456	2,088	844,165	1,170,486	12,290	120,654	2,871,978
<b>Net assets</b>		46,096	12,691	1,109	78,523	44,061	21,374	(2,638)	201,216
<b>Equity</b>									
Equity attributable to equity holders of the parent		41,619	12,691	1,109	41,666	44,061	13,910	(2,638)	152,418
Non-controlling interests		4,477	–	–	36,857	–	7,464	–	48,798
Ordinary shares	H10(b)(i)	4,477	–	–	33,296	–	7,464	–	45,237
Preferred securities	H10(b)(ii)	–	–	–	3,561	–	–	–	3,561
<b>Total equity</b>		46,096	12,691	1,109	78,523	44,061	21,374	(2,638)	201,216

1. The Basis of segmentation, in note B1, explains the segmental basis of preparation, the composition of the segments and the segmental treatment of businesses classified as discontinued operations.

C: **Other key performance information**

C1: **Earnings and earnings per share**

			Cent		
	Source of guidance	Notes	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Basic earnings per share	IFRS	C1(a)	<b>304.7</b>	238.9	230.5
Diluted earnings per share	IFRS	C1(b)	<b>297.5</b>	232.6	220.9
Headline earnings per share	JSE Listings Requirements	C1(c)	<b>283.7</b>	280.8	271.8
Diluted headline earnings per share	JSE Listings Requirements	C1(c)	<b>276.8</b>	273.9	261.0

(a) **Basic earnings per share**

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

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

(R million)				
	Notes	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Profit for the financial year attributable to equity holders of the parent from continuing operations		<b>5,651</b>	3,497	3,391
Profit for the financial year attributable to equity holders of the parent from discontinued operations	A4.1	<b>8,721</b>	7,854	7,703
<b>Profit for the financial year attributable to equity holders of the parent</b>		<b>14,372</b>	11,351	11,094
Dividends paid to holders of perpetual preferred callable securities, net of tax credits		<b>(253)</b>	(278)	(474)
<b>Profit attributable to ordinary equity holders</b>		<b>14,119</b>	11,073	10,620

Total dividends paid to holders of perpetual preferred callable securities of R253 million for the year ended 31 December 2017 (2016: R278 million, 2015: R474 million) are stated net of tax credits of R6 million (2016: R69 million; 2015: R124 million).

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

	Millions		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Weighted average number of ordinary shares in issue</b>	<b>4,931</b>	4,929	4,925
Shares held in charitable foundations and trusts	(21)	(21)	(13)
Shares held in ESOP and similar trusts	(134)	(135)	(99)
<b>Adjusted weighted average number of ordinary shares</b>	<b>4,776</b>	4,773	4,813
Shares held in policyholder and consolidated investment funds	(141)	(131)	(114)
Shares held in Black Economic Empowerment trusts	(2)	(7)	(91)
<b>Weighted average number of ordinary shares used to calculate basic earnings per share</b>	<b>4,633</b>	4,635	4,608
<b>Basic earnings per ordinary share (cent)</b>	<b>304.7</b>	238.9	230.5

(b) **Diluted earnings per share**

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

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

	Notes	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Profit attributable to ordinary equity holders (R million)		<b>14,119</b>	11,073	10,620
Dilution effect on profit relating to share options issued by subsidiaries (R million)		(120)	(140)	(137)
<b>Diluted profit attributable to ordinary equity holders (R million)</b>		<b>13,999</b>	10,933	10,483
Weighted average number of ordinary shares (millions)	C1(a)	<b>4,633</b>	4,635	4,608
Adjustments for share options held by ESOP and similar trusts (millions)		<b>69</b>	59	47
Adjustments for shares held in Black Economic Empowerment trusts (millions)		<b>3</b>	7	91
<b>Weighted average number of ordinary shares used to calculate diluted earnings per share (millions)</b>		<b>4,705</b>	4,701	4,746
<b>Diluted earnings per ordinary share (cent)</b>		<b>297.5</b>	232.6	220.9

**(c) Headline earnings per share**

The Group is required to calculate headline earnings per share (HEPS) in accordance with the JSE Limited (JSE) Listings Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 02/2015 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa. The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

		Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015	
	Notes	Gross	Net of tax and non-controlling interests	Gross	Net of tax and non-controlling interests	Gross	Net of tax and non-controlling interests
<b>Profit for the financial year attributable to equity holders of the parent</b>			<b>14,372</b>		11,351		11,094
Dividends paid to holders of perpetual preferred callable securities			(253)		(278)		(474)
<b>Profit attributable to ordinary equity holders</b>			<b>14,119</b>		11,073		10,620
Adjustments:							
Impairments of goodwill and other intangible assets		1,709	1,106	2,373	1,783	373	267
Impairment of investments in associated undertakings		–	–	1,000	557	–	–
(Profit)/loss on disposal of subsidiaries, associated undertakings and strategic investments (including amounts recycled from the foreign currency translation reserve)		(2,150)	(2,081)	(381)	(399)	1,643	1,639
<b>Headline earnings</b>		(441)	<b>13,144</b>	2,992	13,014	2,016	12,526
<b>Dilution effect on earnings relating to share options issued by subsidiaries</b>			(120)		(140)		(137)
<b>Diluted headline earnings (R million)</b>			<b>13,024</b>		12,874		12,389
<b>Weighted average number of ordinary shares (millions)</b>	C1(a)		<b>4,633</b>		4,635		4,608
<b>Diluted weighted average number of ordinary shares (millions)</b>	C1(b)		<b>4,705</b>		4,701		4,746
<b>Headline earnings per share (cent)</b>			<b>283.7</b>		280.8		271.8
<b>Diluted headline earnings per share (cent)</b>			<b>276.8</b>		273.9		261.0

**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 weighted average number of ordinary shares in issue at year end.

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

	Rand		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
Net asset value per share	37.2	37.9	40.8
Net tangible asset value per share	35.8	29.4	25.7

**C3: Dividends**

		(R million)		
	Ordinary dividend payment date	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
2014 Final dividend paid – 6.25p (R1.098) per 11 3/7p share	29 May 2015	–	–	5,201
2015 Interim dividend paid – 2.65p (R0.558) per 11 3/7p share	30 October 2015	–	–	2,661
2015 Second interim dividend paid – 6.25p (R1.352) per 11 3/7p share	26 April 2016	–	6,473	–
2016 Interim dividend paid – 2.67p (R0.468) per 11 3/7p share	28 October 2016	–	2,233	–
2016 Second interim dividend paid – 3.39p (R0.536) per 11 3/7p share	28 April 2017	2,549	–	–
2017 Interim dividend paid – 3.53p (R0.654) per 11 3/7p share	31 October 2017	3,118	–	–
<b>Dividends to ordinary equity holders</b>		<b>5,667</b>	8,706	7,862
Dividends paid to holders of perpetual preferred callable securities		259	347	598
<b>Dividend payments for the year</b>		<b>5,926</b>	9,053	8,460

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.

A second interim dividend of 3.57 pence (or its equivalent in other applicable currencies) per ordinary share in the Company has been declared by the directors. The second interim dividend will be paid on 30 April 2018 to shareholders on the register at the close of business on 6 April 2018. The dividend will absorb an estimated R2,858 million of shareholders' funds.

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

**D: Other consolidated income statement notes**

Except where otherwise indicated, other consolidated income statement notes, included in section D, are presented for continuing operations only. Following the classification of Nedbank and Old Mutual Wealth as discontinued operations on 31 December 2017, as described in note A4, the income statement line items attributable to these businesses have been represented in a single line in the consolidated income statement. Unless expressly stated otherwise, the comparative information in the consolidated income statement and the related notes have been re-presented in accordance with the requirements of IFRS, to exclude discontinued operations.

**D1: Income tax expense**

This note analyses separately, the income tax expense recognised in profit or loss for the year from both continuing and discontinued operations and the various factors that have contributed to the composition of the charge for both continuing and discontinued operations.

**Current tax**

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 includes any adjustment to income tax payable in respect of previous years.

**Deferred tax**

Deferred taxation is provided using the temporary difference method. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation 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 in the specific jurisdiction. Deferred taxation is charged to profit or loss except to the extent that it relates to a transaction that is recognised directly in other comprehensive income or equity, or a business combination that is an acquisition. The effect on deferred taxation of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to other comprehensive income or equity. A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available, against which the unutilised tax losses and deductible temporary differences can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

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 profit. Note H7 includes further detail of circumstances in which the Group does not recognise temporary differences.

<b>Critical accounting estimates and judgements – Income tax</b>
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.

(a) **Analysis of total income tax expense**

The total income tax expense for the year from continuing operations comprises:

	<b>(R million)</b>		
	<b>Year ended 31 December 2017</b>	Year ended 31 December 2016	Year ended 31 December 2015
<b>Continuing operations</b>			
<b>Current tax</b>			
United Kingdom	<b>(769)</b>	(464)	(694)
Overseas tax			
– South Africa	<b>2,747</b>	3,716	1,676
– Rest of Africa	<b>456</b>	393	245
– Rest of the world <sup>1</sup>	<b>465</b>	193	170
Withholding taxes	<b>163</b>	177	218
Adjustments to current tax in respect of prior years	<b>(294)</b>	(376)	254
<b>Total current tax</b>	<b>2,768</b>	3,639	1,869
<b>Deferred tax</b>			
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	<b>1,405</b>	(1,199)	1,103
Effect on deferred tax of changes in tax rates	<b>(1)</b>	402	(38)
Recognition of previously unrecognised deferred tax assets	<b>12</b>	(4)	–
Adjustments to deferred tax in respect of prior years	<b>(66)</b>	–	(27)
<b>Total deferred tax</b>	<b>1,350</b>	(801)	1,038
<b>Total income tax expense</b>	<b>4,118</b>	2,838	2,907
<b>Attributable to</b>			
Shareholder funds	<b>2,440</b>	1,833	2,313
Policyholder funds	<b>1,678</b>	1,005	594
<b>Total income tax expense</b>	<b>4,118</b>	2,838	2,907

1. Rest of the world includes taxes originating in India, Latin America and the United States.

**(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 continuing operations from the different tax jurisdictions had been taxed at the UK standard corporation tax rate. The difference in the effective rate of the continuing operations is explained below:

	(R million)		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Continuing operations</b>			
<b>Profit before tax</b>	<b>9,630</b>	6,084	6,645
Tax at South African standard rate of 28.0% (2016: 28.0%; 2015: 28.0%)	<b>2,696</b>	1,704	1,861
Different tax rate or basis on foreign operations	<b>215</b>	377	596
Untaxed and low taxed income <sup>1</sup>	<b>(1,849)</b>	(2,044)	(1,050)
Disallowable expenses	<b>2,242</b>	1,445	561
Adjustments to current tax in respect of prior years	<b>(294)</b>	(376)	254
Net movement on deferred tax assets not recognised	<b>227</b>	588	247
Adjustments to deferred tax in respect of prior years	<b>(66)</b>	–	(27)
Effect on deferred tax of changes in tax rates	<b>(1)</b>	402	(38)
Withholding taxes	<b>21</b>	10	1
Income tax attributable to policyholder returns	<b>927</b>	732	478
Other	<b>–</b>	–	24
	<b>4,118</b>	2,838	2,907

1. This includes capital gains taxed at a lower rate than the corporate tax rate.

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

The following table presents the total income tax expense relating to items recognised in other comprehensive income from both continuing and discontinued operations for the year.

	(R million)		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Measurement gains on defined benefit plans	<b>130</b>	(152)	77
Property revaluation reserve	<b>116</b>	–	–
<b>Income tax on items that will not be reclassified subsequently to profit or loss</b>	<b>246</b>	(152)	77
Available-for-sale reserve	<b>(43)</b>	(80)	–
<b>Income tax on items that may be reclassified subsequently to profit or loss</b>	<b>(43)</b>	(80)	–
<b>Income tax expense relating to components of other comprehensive income</b>	<b>203</b>	(232)	77



(d) **Discontinued operations: Analysis of total income tax expense**

The total income tax expense for the year from discontinued operations comprises:

	(R million)		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Discontinued operations</b>			
<b>Current tax</b>			
United Kingdom	1,606	1,580	1,339
Overseas tax			
– South Africa	4,198	4,266	3,648
– Rest of Africa	186	161	118
– Europe	58	293	326
– Rest of the world <sup>1</sup>	114	263	138
Adjustments to current tax in respect of prior years	(60)	(17)	(279)
<b>Total current tax</b>	<b>6,102</b>	<b>6,546</b>	<b>5,290</b>
<b>Deferred tax</b>			
Deferred tax (income)/expense relating to the origination and reversal of temporary differences	(192)	681	(632)
Effect on deferred tax of changes in tax rates	(20)	20	(132)
Adjustments to deferred tax in respect of prior years	(65)	(35)	(136)
<b>Total deferred tax</b>	<b>(277)</b>	<b>666</b>	<b>(900)</b>
<b>Total income tax expense</b>	<b>5,825</b>	<b>7,212</b>	<b>4,390</b>

1. Rest of the world includes taxes originating in the United States.

(e) **Discontinued operations: 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 the different tax jurisdictions had been taxed at the UK standard corporation tax rate. The difference in the effective rate of discontinued operations is explained below:

	(R million)		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Discontinued operations</b>			
<b>Profit before tax</b>	<b>20,677</b>	<b>20,782</b>	<b>17,795</b>
Tax at South African standard rate of 28.0% (2016: 28.0%; 2015: 28.0%)	5,790	5,819	4,983
Different tax rate or basis on overseas operations	(568)	(205)	(252)
Untaxed and low taxed income	(125)	(450)	(551)
Disallowable expenses	37	433	649
Adjustments to current tax in respect of prior years	(60)	(17)	(279)
Net movement on deferred tax assets not recognised <sup>1</sup>	(242)	73	(84)
Adjustments to deferred tax in respect of prior years	(65)	(35)	(136)
Effect on deferred tax of changes in tax rates	(20)	20	(132)
Withholding taxes	23	27	97
Income tax attributable to policyholder returns	1,058	1,559	10
Other	(3)	(12)	85
<b>Total income tax expense</b>	<b>5,825</b>	<b>7,212</b>	<b>4,390</b>

1. Year ended 31 December 2017 includes R257 million for the recognition of a deferred tax asset in Old Mutual Wealth previously unrecognised.

**D2: Investment return (non-banking)**

This note analyses the investment return from the non-banking activities of the Group's continuing operations.

	(R million)		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Continuing operations</b>			
<b>Interest and similar income</b>			
Loans and advances	18	24	90
Investments and securities	22,382	19,740	17,609
Cash and cash equivalents	1,409	1,502	1,162
<b>Total interest and similar income</b>	<b>23,809</b>	<b>21,266</b>	<b>18,861</b>
Dividend income – investments and securities	6,523	7,746	4,612
Fair value gains recognised in profit or loss	60,496	3,767	21,850
Rental income from investment properties	2,719	2,510	2,349
Fair value gains on the revaluation of investment property	451	1,831	1,054
Foreign currency (losses)/gains	(77)	335	(180)
<b>Total amounts recognised in profit or loss</b>	<b>93,921</b>	<b>37,455</b>	<b>48,546</b>
Total interest income for assets not at fair value through profit or loss	305	263	255
The fair value gains/(losses) shown above are analysed according to their IAS 39 categorisations as follows:			
Held-for-trading (including derivatives)	(444)	(248)	(113)
Designated at fair value through profit or loss	60,940	4,015	21,963
	<b>60,496</b>	<b>3,767</b>	<b>21,850</b>

**D3: Banking interest and similar income**

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

	(R million)		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Continuing operations</b>			
<b>Loans and advances</b>	<b>4,203</b>	<b>4,329</b>	<b>4,362</b>
Mortgage loans	901	1,017	998
Bills and acceptances	5	–	–
Overdrafts	104	113	77
Term loans and other <sup>1</sup>	3,193	3,199	3,287
<b>Investments and securities</b>	<b>191</b>	<b>240</b>	<b>220</b>
Government and government-guaranteed securities	148	15	–
Other debt securities, preference shares and debentures	43	225	220
<b>Total interest and similar income</b>	<b>4,394</b>	<b>4,569</b>	<b>4,582</b>
<b>Total interest income for assets not at fair value through profit or loss</b>	<b>1</b>	<b>(6)</b>	<b>–</b>

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

**D4: Banking trading, investment and similar income**

This note analyses the investment return from the banking activities of the Group's continuing operations.

	(R million)		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Continuing operations</b>			
Rental income from investment property	13	13	6
Net exchange and other non-interest income	12	22	(45)
Net trading income <sup>1</sup>	72	245	141
<b>Total banking trading, investment and similar income</b>	<b>97</b>	<b>280</b>	<b>102</b>
The realised fair value gains included in total banking, investment and similar income are analysed according to their IAS 39 categorisations as follows:			
Designated at fair value through profit or loss	–	–	(71)
<b>Realised fair value gains included above</b>	<b>–</b>	<b>–</b>	<b>(71)</b>

1. Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held-for-trading, together with the related interest, expense, costs and dividends of the Group's continuing banking operations.

**D5: Fee and commission income, and income from service activities**

This note analyses the fees and commission, earned by the Group's continuing operations, from negotiating, or participating in the negotiation of a transaction for third-parties, transaction and performance fees earned and movements in deferred origination fees.

	(R million)				
Year ended 31 December 2017 Continuing operations	Life and savings	Asset management	Banking	Property & casualty	Total
Fee and commission income	4,213	4,974	765	842	10,794
Transaction and performance fees	11	147	418	–	576
Change in deferred revenue	193	(19)	–	3	177
	<b>4,417</b>	<b>5,102</b>	<b>1,183</b>	<b>845</b>	<b>11,547</b>

	(R million)				
Year ended 31 December 2016 Continuing operations	Life and savings	Asset management	Banking	Property & casualty	Total
Fee and commission income	4,621	4,641	720	674	10,656
Transaction and performance fees	12	125	352	–	489
Change in deferred revenue	136	(78)	–	62	120
	<b>4,769</b>	<b>4,688</b>	<b>1,072</b>	<b>736</b>	<b>11,265</b>

	(R million)				
Year ended 31 December 2015 Continuing operations	Life and savings	Asset management	Banking	Property & casualty	Total
Fee and commission income	3,815	4,732	569	635	9,751
Transaction and performance fees	10	146	305	–	461
Change in deferred revenue	19	(6)	–	(7)	6
	<b>3,844</b>	<b>4,872</b>	<b>874</b>	<b>628</b>	<b>10,218</b>

Income from fiduciary activities is included within asset management fee income.

Fee and commission income, and income from service activities include R2,471 million (2016: R2,429 million; 2015: R1,455 million) related to trust and fiduciary fees.

#### D6: Finance costs

Finance costs relate to the borrowed funds in the Group's continuing operations, excluding those relating to banking activities. These finance costs include interest payable, and gains and losses on revaluation of these funds and on those derivative instruments which are used to hedge these funds in the Group's continuing operations.

		(R million)		
	Note	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Continuing operations</b>				
<b>Interest on borrowed funds</b>		<b>1,749</b>	2,044	1,323
Senior debt and term loans		–	132	161
Subordinated debt		<b>1,968</b>	2,167	1,448
Interest rate swaps		<b>(219)</b>	(255)	(286)
<b>Fair value gains and losses on borrowed funds</b>		<b>2,263</b>	511	(351)
Borrowed funds <sup>1</sup>		<b>1,990</b>	677	(572)
Derivative instruments used as economic hedges		<b>273</b>	(166)	221
<b>Total finance costs excluding banking activities</b>		<b>4,012</b>	2,555	972
Finance costs from banking activities	D7	<b>321</b>	605	637
<b>Total Group finance costs on debt instruments</b>		<b>4,333</b>	3,160	1,609
The fair value gains/(losses) shown above are analysed according to their IAS 39 categorisations as follows:				
Designated at fair value through profit or loss		<b>2,263</b>	511	(351)

Fair value gains and losses on borrowed funds for the year ended 31 December 2017 includes R1,749 million (£102 million) relating to the difference between the cash paid to repurchase and redeem R6,671 million (£389 million) of Tier 2 subordinated 2025 securities and R2,727 million (£159 million) nominal of Tier 2 subordinated 2021 securities and the IFRS book value of this debt at the date of repurchase.

#### D7: Banking interest payable and similar expenses

This note analyses the interest and similar expenses from the banking activities of the Group's continuing operations.

		(R million)		
	Note	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Continuing operations</b>				
<b>Amounts owed to bank depositors</b>		<b>1,278</b>	1,795	1,800
Deposits and loan accounts		<b>276</b>	374	342
Current and savings accounts		<b>289</b>	371	358
Negotiable certificates of deposit		<b>392</b>	445	463
Long-term debt instruments	D6	<b>321</b>	605	637
<b>Total interest payable and similar expenses</b>		<b>1,278</b>	1,795	1,800

**D8: Fee and commission expenses, and other acquisition costs**

This note analyses the fee and commission expenses and other acquisition costs from the Group's continuing operations.

	(R million)			
<b>Year ended 31 December 2017</b>				
<b>Continuing operations</b>	<b>Life and savings</b>	<b>Asset management</b>	<b>Property &amp; casualty</b>	<b>Total</b>
Fee and commission expenses	3,176	760	2,502	6,438
Change in deferred acquisition costs	157	(39)	14	132
Other acquisition costs	2,418	4	–	2,422
	5,751	725	2,516	8,992
	(R million)			
<b>Year ended 31 December 2016</b>				
<b>Continuing operations</b>	<b>Life and savings</b>	<b>Asset management</b>	<b>Property &amp; casualty</b>	<b>Total</b>
Fee and commission expenses	3,875	972	2,537	7,384
Change in deferred acquisition costs	18	(10)	61	69
Other acquisition costs	1,112	(98)	–	1,014
	5,005	864	2,598	8,467
	(R million)			
<b>Year ended 31 December 2015</b>				
<b>Continuing operations</b>	<b>Life and savings</b>	<b>Asset management</b>	<b>Property &amp; casualty</b>	<b>Total</b>
Fee and commission expenses	3,429	666	2,407	6,502
Change in deferred acquisition costs	(135)	(38)	4	(169)
Other acquisition costs	1,375	2	–	1,377
	4,669	630	2,411	7,710

Fee and commission expenses, and other acquisition costs include R162 million (2016: R184 million; 2015: R151 million) related to trust and fiduciary fees.

**D9: Other operating and administrative expenses**

This note gives further detail on the items included within other operating and administrative expenses of the Group's continuing operations as well as an analysis of the operating segments our employees work in.

**(a)(i) Other operating and administrative expenses include:**

		<b>(R million)</b>		
	Note	<b>Year ended 31 December 2017</b>	Year ended 31 December 2016	Year ended 31 December 2015
<b>Continuing operations</b>				
Staff costs	D9(b)	<b>11,122</b>	10,866	10,227
Amortisation of present value of acquired in-force business and other intangible assets		<b>436</b>	493	550
Impairment of goodwill and other intangible assets		<b>1,478</b>	1,340	–
Operating lease rentals – banking		<b>150</b>	113	106
Operating lease rentals – non-banking		<b>112</b>	114	115
Depreciation		<b>566</b>	492	440
Computer, software and processing costs		<b>168</b>	168	148
Marketing and communications and travel costs		<b>1,286</b>	1,495	1,464
Other		<b>11,675</b>	10,205	10,091
		<b>26,993</b>	25,286	23,141

**(a)(ii) Analysis of underlying Emerging Markets other operating and administrative expenses**

The table below provides an analysis of underlying Emerging Markets operating and administrative expenses.

		<b>(R million)</b>		
	Note	<b>Year ended 31 December 2017</b>	Year ended 31 December 2016	Year ended 31 December 2015
<b>Total other operating and administrative expenses</b>	D9(a)(i)	<b>26,993</b>	25,286	23,141
<b>Exclude:</b>				
plc Head Office and Old Mutual Bermuda		<b>(2,807)</b>	(2,727)	(2,251)
Consolidation of funds		<b>(515)</b>	(528)	(137)
Elimination of transactions with discontinued operations		<b>350</b>	156	155
<b>Emerging Markets operating and administrative expenses</b>		<b>24,021</b>	22,187	20,908
<b>Expenses excluded from underlying Emerging Markets cost base:</b>				
Amortisation of acquired intangible assets		<b>(252)</b>	(354)	(394)
Impairment of goodwill and other intangible assets		<b>(1,478)</b>	(1,340)	(0)
Operational finance costs		<b>(1,096)</b>	(870)	(833)
Investment management expenses excluded from operating and administrative expenses		<b>(2,173)</b>	(1,625)	(1,306)
One-off business standalone costs		<b>(237)</b>	–	–
<b>Underlying Emerging Markets operating and administrative expenses</b>		<b>18,785</b>	17,998	18,375

(b) **Staff costs**

		<b>(R million)</b>		
		<b>Year ended 31 December 2017</b>	Year ended 31 December 2016	Year ended 31 December 2015
<b>Continuing operations</b>	Note			
Wages and salaries		<b>7,762</b>	7,854	6,720
Social security costs		<b>110</b>	132	104
Retirement obligations				
Defined contribution plans		<b>167</b>	174	342
Defined benefit plans	J1(b)	<b>21</b>	37	40
Other retirement benefits	J1(b)	<b>(37)</b>	(16)	9
Bonus and incentive remuneration		<b>1,902</b>	1,767	2,236
Share-based payments				
Cash settled	J2(e)	<b>62</b>	–	80
Equity settled	J2(e)	<b>294</b>	258	(5)
Other		<b>841</b>	660	701
		<b>11,122</b>	10,866	10,227

		<b>Number</b>		
		<b>Year ended 31 December 2017</b>	Year ended 31 December 2016	Year ended 31 December 2015
<b>The average number of persons employed by the Group is as follows:</b>				
Emerging Markets		<b>28,145</b>	28,565	27,391
plc Head Office		<b>150</b>	263	363
Non-core operations (Old Mutual Bermuda)		<b>18</b>	18	18
<b>Total – continuing operations</b>		<b>28,313</b>	28,846	27,772
<b>Total – discontinued operations</b>		<b>37,082</b>	39,681	36,271
		<b>65,395</b>	68,527	64,043

(c) **Fees to Group's auditors**

Included in other operating and administrative expenses from continuing operations are fees paid to the Group's auditors. These can be categorised as follows:

	(R million)		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>Continuing operations</b>			
<b>Fees for audit services</b>			
Group	35.1	31.9	25.4
Subsidiaries	91.4	67.8	78.1
Pension schemes	–	2.0	3.9
Total audit fees	126.5	101.7	107.4
<b>Fees for non-audit services</b>			
Audit-related assurance	3.5	9.9	7.8
Taxation compliance	–	4.0	2.0
Corporate finance transactions	3.5	–	2.0
Other non-audit services	1.8	10.0	7.8
Total non-audit services	8.8	23.9	19.6
Total Group auditors' remuneration	135.3	125.6	127.0

E: **Financial assets and liabilities**

E1: **Categories of financial instruments**

The analysis of financial assets and liabilities of the Group's continuing operations into their categories as defined in IAS 39 'Financial Instruments: Recognition and Measurement' is set out in the table below. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IAS 39, are reflected in the non-financial assets and liabilities category.

The categories of financial instruments classified as held-for-sale and distribution at 31 December 2017 is presented in note E7(a). Consistent with the requirements of accounting standards, comparative periods have not been represented for assets and liabilities classified as held-for-sale and distribution. The comparative information presented at 31 December 2017 therefore includes the categories of financial assets and liabilities for the composition of the Group as at 31 December 2016 and 31 December 2015. This note should be read in conjunction with note E7(a) to obtain a comparable view of the Group's categories of financial instruments at 31 December 2017.

All gains and losses on measuring the financial assets and liabilities at each reporting date are included in the determination of profit or loss for the year, with the exception of unrealised gains or losses on financial assets classified as available-for-sale, which are recognised in other comprehensive income.



At 31 December 2017

(R million)

Measurement basis		Fair value (note E3)			Amortised cost (note E5)			
	Total	Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities
<b>Assets</b>								
Mandatory reserve deposits with central banks	94	–	–	–	–	94	–	–
Investments in associated undertakings and joint ventures <sup>1</sup>	1,789	–	–	–	–	–	–	1,789
Reinsurers' share of policyholder liabilities	4,220	–	–	–	–	25	–	4,195
Loans and advances	21,483	–	–	–	–	21,483	–	–
Investments and securities	722,249	–	721,328	921	–	–	–	–
Trade, other receivables and other assets	21,875	–	–	–	–	20,675	–	1,200
Derivative financial instruments	4,101	4,101	–	–	–	–	–	–
Cash and cash equivalents	30,761	–	–	–	–	30,761	–	–
Total assets that include financial instruments	806,572	4,101	721,328	921	–	73,038	–	7,184
Assets held-for-sale and distribution (note E7(a))	2,188,443	–	–	–	–	–	–	2,188,443
Total other non-financial assets	51,871	–	–	–	–	–	–	51,871
<b>Total assets</b>	<b>3,046,886</b>	<b>4,101</b>	<b>721,328</b>	<b>921</b>	<b>–</b>	<b>73,038</b>	<b>–</b>	<b>2,247,498</b>

At 31 December 2017							(R million)
Measurement basis	Fair value (note E3)			Amortised cost (note E5)			
	Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities
Total							
<b>Liabilities</b>							
Life insurance contract liabilities	159,514	–	–	–	–	–	159,514
Investment contract liabilities with discretionary participating features	193,425	–	–	–	–	–	193,425
Investment contract liabilities	288,164	–	288,164	–	–	–	–
Third-party interests in consolidated funds	81,573	–	81,573	–	–	–	–
Borrowed funds	18,866	–	13,191	–	–	5,675	–
Trade, other payables and other liabilities	42,355	–	2,039	–	–	30,437	9,879
Amounts owed to bank depositors	12,440	–	–	–	–	12,440	–
Derivative financial instruments	4,498	4,498	–	–	–	–	–
Total liabilities that include financial instruments	800,835	4,498	384,967	–	–	48,552	362,818
Liabilities held-for-sale and distribution (note E7(a))	2,043,759	–	–	–	–	–	2,043,759
Total other non-financial liabilities	18,847	–	–	–	–	–	18,847
<b>Total liabilities</b>	<b>2,863,441</b>	<b>4,498</b>	<b>384,967</b>	<b>–</b>	<b>–</b>	<b>48,552</b>	<b>2,425,424</b>

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

At 31 December 2016

(R million)

Measurement basis		Fair value (note E3)			Amortised cost (note E5)			
	Total	Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities
<b>Assets</b>								
Mandatory reserve deposits with central banks	18,836	–	–	–	–	18,836	–	–
Investments in associated undertakings and joint ventures <sup>1</sup>	9,183	–	2,357	–	–	–	–	6,826
Reinsurers' share of policyholder liabilities	52,824	–	43,409	–	–	99	–	9,316
Loans and advances	730,906	21,434	60,903	28	–	648,351	–	190
Investments and securities	1,702,105	53,959	1,576,338	16,232	55,576	–	–	–
Trade, other receivables and other assets	40,973	4,544	–	–	–	24,235	–	12,194
Derivative financial instruments	22,719	22,719	–	–	–	–	–	–
Cash and cash equivalents	82,175	–	–	–	–	82,175	–	–
Total assets that include financial instruments	2,659,721	102,656	1,683,007	16,260	55,576	773,696	–	28,526
Assets held-for-sale and distribution	145,300	–	–	–	–	–	–	145,300
Total other non-financial assets	101,494	–	–	–	–	–	–	101,494
<b>Total assets</b>	<b>2,906,515</b>	<b>102,656</b>	<b>1,683,007</b>	<b>16,260</b>	<b>55,576</b>	<b>773,696</b>	<b>–</b>	<b>275,320</b>

At 31 December 2016							(R million)
Measurement basis	Fair value (note E3)			Amortised cost (note E5)			
	Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities
Total							
<b>Liabilities</b>							
Life insurance contract liabilities	169,243	–	–	–	–	–	169,243
Investment contract liabilities with discretionary participating features	170,963						170,963
Investment contract liabilities	1,144,732	–	1,144,732	–	–	–	–
Third-party interests in consolidated funds	135,319	–	135,319	–	–	–	–
Borrowed funds	79,585	–	15,859	–	–	63,726	–
Trade, other payables and other liabilities	86,678	21,921	10,507	–	–	34,746	19,504
Amounts owed to bank depositors	768,223	7,556	54,924	–	–	705,743	–
Derivative financial instruments	19,681	19,681	–	–	–	–	–
Total liabilities that include financial instruments	2,574,424	49,158	1,361,341	–	–	804,215	359,710
Liabilities held-for-sale and distribution	119,458	–	–	–	–	–	119,458
Total other non-financial liabilities	25,721	–	–	–	–	–	25,721
<b>Total liabilities</b>	<b>2,719,603</b>	<b>49,158</b>	<b>1,361,341</b>	<b>–</b>	<b>–</b>	<b>804,215</b>	<b>504,889</b>

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

At 31 December 2015

(R million)

Measurement basis		Fair value (note E3)			Amortised cost (note E5)			Non-financial assets and liabilities
	Total	Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	
<b>Assets</b>								
Mandatory reserve deposits with central banks	16,346	–	–	–	–	16,346	–	–
Investments in associated undertakings and joint ventures <sup>1</sup>	11,736	–	1,162	–	–	–	–	10,574
Reinsurers' share of policyholder liabilities	60,714	–	53,127	–	–	93	–	7,494
Loans and advances	706,568	34,013	69,242	38	–	603,275	–	–
Investments and securities	1,914,538	20,152	1,826,043	16,674	51,669	–	–	–
Trade, other receivables and other assets	44,404	4,152	–	–	–	25,506	–	14,746
Derivative financial instruments	70,199	70,199	–	–	–	–	–	–
Cash and cash equivalents	100,666	–	–	–	–	100,666	–	–
Total assets that include financial instruments	2,925,171	128,516	1,949,574	16,712	51,669	745,886	–	32,814
Assets held-for-sale and distribution	2,808	–	–	–	–	–	–	2,808
Total other non-financial assets	145,215	–	–	–	–	–	–	145,215
<b>Total assets</b>	<b>3,073,194</b>	<b>128,516</b>	<b>1,949,574</b>	<b>16,712</b>	<b>51,669</b>	<b>745,886</b>	<b>–</b>	<b>180,837</b>
<b>Liabilities</b>								
Life insurance contract liabilities	176,034	–	–	–	–	–	–	176,034
Investment contract liabilities with discretionary participating features	161,677	–	–	–	–	–	–	161,677
Investment contract liabilities	1,386,622	–	1,386,622	–	–	–	–	–
Third-party interests in consolidated funds	135,740	–	135,740	–	–	–	–	–
Borrowed funds	80,413	–	18,355	–	–	–	62,058	–
Trade, other payables and other liabilities	85,528	12,490	8,746	–	–	–	34,433	29,859
Amounts owed to bank depositors	737,649	104,504	65,839	–	–	–	567,306	–
Derivative financial instruments	75,682	75,682	–	–	–	–	–	–
Total liabilities that include financial instruments	2,839,345	192,676	1,615,302	–	–	–	663,797	367,570
Liabilities held-for-sale and distribution	268	–	–	–	–	–	–	268
Total other non-financial liabilities	32,365	–	–	–	–	–	–	32,365
<b>Total liabilities</b>	<b>2,871,978</b>	<b>192,676</b>	<b>1,615,302</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>663,797</b>	<b>400,203</b>

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

## **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 (CVA) and debit valuation adjustment (DVA) 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 investment and securities that are recognised at fair value are measured at observable market prices where available. In the absence of observable market prices, these investments and securities are fair valued utilising one or more of the following techniques: discounted cash flows, the application of an EBITDA multiple or any other relevant technique.

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

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

### **Derivative financial instruments**

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

### 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 net asset value of each fund.

### Amounts owed to bank depositors

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

### Borrowed funds

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

### Other financial assets and liabilities

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

#### (b) Fair value hierarchy

Fair values are determined according to the following hierarchy.

Description of hierarchy	Types of instruments classified in the respective levels
<b>Level 1</b> – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.	Listed equity securities, listed government securities and other listed debt securities and similar instruments that are actively traded, actively traded pooled investments, certain quoted derivative assets and liabilities, listed borrowed funds, reinsurers' share of policyholder liabilities and investment contract liabilities directly linked to other Level 1 financial assets.
<b>Level 2</b> – 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.
<b>Level 3</b> – 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.

**(c) Transfer between fair value hierarchies**

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

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

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

The table below presents a summary of the financial assets and liabilities of the Group's continuing operations that are measured at fair value in the consolidated statement of financial position according to their IAS 39 classification, as set out in the accounting policies note K and in terms of the fair value hierarchy described in note E2.

The fair value hierarchy of financial assets and liabilities classified as held-for-sale and distribution at 31 December 2017 is presented in note E7(b). Consistent with the requirements of accounting standards, comparative periods have not been re-presented for assets and liabilities classified as held-for-sale and distribution. The comparative information presented at 31 December 2017 therefore includes the fair value hierarchy of financial assets and liabilities for the composition of the Group as at 31 December 2016 and 31 December 2015. This note should be read in conjunction with Note E7(b) to obtain a comparable view of the Group's fair value hierarchy of financial assets and liabilities at 31 December 2017.

**Detail analysis**

	(R million)			
<b>At 31 December 2017</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets measured at fair value</b>				
Held-for-trading (fair value through profit or loss)	4,101	–	4,072	29
Derivative financial instruments – assets	4,101	–	4,072	29
Designated (fair value through profit or loss)	721,328	439,007	261,924	20,397
Investments and securities	721,328	439,007	261,924	20,397
Available-for-sale financial assets (fair value through other comprehensive income)	921	921	–	–
Investments and securities	921	921	–	–
<b>Total financial assets measured at fair value</b>	<b>726,350</b>	<b>439,928</b>	<b>265,996</b>	<b>20,426</b>
<b>Financial liabilities measured at fair value</b>				
Held-for-trading (fair value through profit or loss)	4,498	–	4,498	–
Derivative financial instruments – liabilities	4,498	–	4,498	–
Designated (fair value through profit or loss)	384,967	7,488	377,479	–
Investment contract liabilities <sup>1</sup>	288,164	–	288,164	–
Third-party interests in consolidated funds	81,573	–	81,573	–
Borrowed funds	13,191	6,696	6,495	–
Other liabilities	2,039	792	1,247	–
<b>Total financial liabilities measured at fair value</b>	<b>389,465</b>	<b>7,488</b>	<b>381,977</b>	<b>–</b>

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



	(R million)			
At 31 December 2016	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>				
Held-for-trading (fair value through profit or loss)	102,656	25,822	76,344	490
Loans and advances	21,434	5,862	15,572	–
Investments and securities	53,959	15,364	38,595	–
Other financial assets	4,544	4,544	–	–
Derivative financial instruments – assets	22,719	52	22,177	490
Designated (fair value through profit or loss)	1,683,007	1,216,441	439,991	26,575
Investments in associated undertakings and joint ventures	2,357	–	–	2,357
Reinsurers' share of policyholder liabilities	43,409	43,409	–	–
Loans and advances	60,903	3,492	57,334	77
Investments and securities	1,576,338	1,169,540	382,657	24,141
Available-for-sale financial assets (fair value through other comprehensive income)	16,260	935	14,915	410
Loans and advances	28	28	–	–
Investments and securities	16,232	907	14,915	410
<b>Total financial assets measured at fair value</b>	<b>1,801,923</b>	<b>1,243,198</b>	<b>531,250</b>	<b>27,475</b>
<b>Financial liabilities measured at fair value</b>				
Held-for-trading (fair value through profit or loss)	49,158	21,303	27,405	450
Other liabilities	21,921	21,202	389	330
Amounts owed to bank depositors	7,556	–	7,556	–
Derivative financial instruments – liabilities	19,681	101	19,460	120
Designated (fair value through profit or loss)	1,361,341	892,355	458,982	10,004
Investment contract liabilities <sup>1</sup>	1,144,732	881,853	252,875	10,004
Third-party interests in consolidated funds	135,319	–	135,319	–
Borrowed funds	15,859	9,656	6,203	–
Other liabilities	10,507	846	9,661	–
Amounts owed to bank depositors	54,924	–	54,924	–
<b>Total financial liabilities measured at fair value</b>	<b>1,410,499</b>	<b>913,658</b>	<b>486,387</b>	<b>10,454</b>

1. Investment contract liabilities amount excludes R170,963 million discretionary participating investment contracts. These contracts are classified as non-financial liabilities and are not analysed according to the fair value hierarchy as permitted by IFRS 7 'Financial Instruments: Disclosures'.

		(R million)			
At 31 December 2015		Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>					
Held-for-trading (fair value through profit or loss)		128,516	11,955	116,152	409
Loans and advances		34,013	–	34,013	–
Investments and securities		20,152	7,699	12,453	–
Other financial assets		4,152	4,152	–	–
Derivative financial instruments – assets		70,199	104	69,686	409
Designated (fair value through profit or loss)		1,949,574	1,423,315	495,858	30,401
Investments in associated undertakings and joint ventures		1,162	–	–	1,162
Reinsurers' share of policyholder liabilities		53,127	53,127	–	–
Loans and advances		69,242	4,138	65,071	33
Investments and securities		1,826,043	1,366,050	430,787	29,206
Available-for-sale financial assets (fair value through other comprehensive income)		16,712	54	16,658	–
Loans and advances		38	38	–	–
Investments and securities		16,674	16	16,658	–
<b>Total financial assets measured at fair value</b>		<b>2,094,802</b>	<b>1,435,324</b>	<b>628,668</b>	<b>30,810</b>
<b>Financial liabilities measured at fair value</b>					
Held-for-trading (fair value through profit or loss)		192,676	12,436	180,154	86
Other liabilities		12,490	12,310	180	–
Amounts owed to bank depositors		104,504	–	104,504	–
Derivative financial instruments – liabilities		75,682	126	75,470	86
Designated (fair value through profit or loss)		1,615,302	1,097,345	504,412	13,545
Investment contract liabilities <sup>1</sup>		1,386,622	1,084,045	289,032	13,545
Third-party interests in consolidated funds		135,740	–	135,740	–
Borrowed funds		18,355	12,377	5,978	–
Other liabilities		8,746	923	7,823	–
Amounts owed to bank depositors		65,839	–	65,839	–
<b>Total financial liabilities measured at fair value</b>		<b>1,807,978</b>	<b>1,109,781</b>	<b>684,566</b>	<b>13,631</b>

1. Investment contract liabilities amount excludes R161,677 million discretionary participating investment contracts. These contracts are classified as non-financial liabilities and are not analysed according to the fair value hierarchy as permitted by IFRS 7 'Financial Instruments: Disclosures'.

(b) **Level 3 fair value hierarchy disclosure**

The tables below reconcile the opening balances of Level 3 financial assets and liabilities to closing balances at the end of the year. Movements during the year include both continuing operations and assets and movements of assets and liabilities classified as held-for-sale and distribution. A single line item at the end of the movement table is included to reflect the carrying value transferred to assets or liabilities held-for-sale and distribution at 31 December 2017.

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

At 31 December 2017, the carrying value of Level 3 assets comprised R29 million of derivative assets held by Old Mutual Bermuda business and R20,397 million of investments and securities held by Emerging Markets. The assets held by Emerging Markets principally comprise private company shares and unlisted pooled investments held by policyholder funds for which the bulk of the investment risk is borne by policyholders. As at 31 December 2017, all Level 3 assets held by Old Mutual Wealth and Nedbank had been transferred into assets held-for-sale and distribution and are therefore not included within the closing amounts shown above. Old Mutual Wealth's Level 3 assets are held by linked funds, with policyholders bearing all of the investment risk, and are matched exactly by Level 3 investment contract liabilities.

Amounts shown as purchases and issues arise principally from the purchase of private company shares and unlisted pooled investments by Old Mutual Wealth and Emerging Markets and from investments in associated undertakings by Nedbank.

Amounts shown as sales and settlements arise principally from the sale of private company shares and unlisted pooled investments by Old Mutual Wealth and Emerging Markets and from distributions received in respect of Old Mutual Wealth's holdings in property funds.

Transfers into Level 3 assets principally relates to investments held by Old Mutual Wealth that were previously shown within Level 2 and which are no longer being actively priced. Transfers out of Level 3 assets principally comprise investments held by Old Mutual Wealth that were not being repriced and that have been transferred into Level 2 as they are now actively priced.

As at December 2017, all Level 3 liabilities held by Old Mutual Wealth and Nedbank had been transferred into liabilities held-for-sale and distribution and are therefore not included in the closing amounts shown above. No Level 3 liabilities were held by any of the other Group businesses at 31 December 2017.

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

	(R million)					
	Held-for-trading	Designated fair value through profit or loss		Available-for-sale	Total	
		Investments in associated undertakings and joint ventures	Loans and advances	Investments and securities	Investments and securities	
Year ended 31 December 2016	Derivatives					
<b>Level 3 financial assets</b>						
At beginning of the period	409	1,162	33	29,206	–	30,810
Total net fair value (losses)/gains recognised in profit or loss	(79)	273	4	1,267	–	1,465
Purchases and issues	507	1,130	–	2,677	–	4,314
Sales and settlements	(295)	(208)	–	(4,656)	410	(4,749)
Transfers in	–	–	40	4,906	–	4,946
Transfers out	–	–	–	(1,171)	–	(1,171)
Transferred to assets held-for-sale	–	–	–	(1,335)	–	(1,335)
Foreign exchange and other	(52)	–	–	(6,753)	–	(6,805)

	(R million)				
	Held-for-trading	Designated fair value through profit or loss		Available-for-sale	Total
	Derivatives	Investments in associated undertakings and joint ventures	Loans and advances	Investments and securities	Investments and securities
Year ended 31 December 2016					
<b>Total Level 3 financial assets</b>	490	2,357	77	24,141	410
Unrealised fair value (losses)/gains relating to assets held at 31 December 2016 recognised in profit or loss	(79)	273	4	1,258	–

	(R million)			
	Held-for-trading	Designated fair value through profit or loss		Total
	Other liabilities	Derivatives	Investment contract liabilities	
Year ended 31 December 2016				
<b>Level 3 financial liabilities</b>				
At beginning of the year	–	86	13,545	13,631
Total net fair value losses recognised in profit or loss	32	142	264	438
Purchases and issues	298	–	429	727
Sales and settlements	–	(86)	(2,289)	(2,375)
Transfers in	–	–	3,743	3,743
Transfers out	–	–	(628)	(628)
Foreign exchange and other	–	(22)	(5,060)	(5,082)
<b>Total Level 3 financial liabilities</b>	330	120	10,004	10,454
Unrealised fair value losses relating to liabilities held at 31 December 2016 recognised in profit or loss	32	142	253	427

	(R million)					
	Held-for-trading	Designated fair value through profit or loss		Available-for-sale	Total	
		Investments in associated undertakings and joint ventures	Loans and advances	Investments and securities	Investments and securities	
Year ended 31 December 2015	Derivatives					
<b>Level 3 financial assets</b>						
At beginning of the year	143	898	33	26,834	24	27,932
Total net fair value (losses)/gains recognised in:						
– profit or loss	(92)	89	–	775	–	772
– other comprehensive income	–	–	–	(18)	–	(18)
Purchases and issues	275	312	–	5,621	–	6,208
Sales and settlements	–	(137)	–	(6,477)	(24)	(6,638)
Transfers in	–	–	–	1,565	–	1,565
Transfers out	–	–	–	(1,351)	–	(1,351)
Foreign exchange and other	83	–	–	2,257	–	2,340
<b>Total level 3 financial assets</b>	409	1,162	33	29,206	–	30,810
Unrealised fair value (losses)/gains relating to assets held at 31 December 2015 recognised in profit or loss	(92)	89	–	(490)	–	(493)

			(R million)
Year ended 31 December 2015	Held-for-trading – Derivatives	Designated fair value through profit or loss – Investment contract liabilities	Total
<b>Level 3 financial liabilities</b>			
At beginning of the year	–	13,576	13,576
Total net losses/(gains) recognised in profit or loss	66	(1,356)	(1,290)
Purchases and issues	20	1,878	1,898
Sales and settlements	–	(3,669)	(3,669)
Transfers in	–	1,011	1,011
Transfers out	–	(1,068)	(1,068)
Foreign exchange and other	–	3,173	3,173
<b>Total level 3 financial liabilities</b>	<b>86</b>	<b>13,545</b>	<b>13,631</b>
Unrealised fair value losses/(gains) relating to liabilities held at 31 December 2015 recognised in profit or loss	66	(1,245)	(1,179)

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

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

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

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

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

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

Details of the valuation techniques applied to the different categories of financial instruments can be found in note E2: Fair values of financial assets and liabilities.

The table below summarises the significant inputs to value instruments categorised as Level 3 hierarchy in the Group's continuing operations and their sensitivity to changes in the inputs used. The significant inputs to value instruments categorised as Level 3 hierarchy classified as held-for-sale and distribution at 31 December 2017 are presented in note E7(c). Accounting standards do not require comparative periods to be re-presented for assets and liabilities classified as held-for-sale and distribution. Consistent with the requirements of accounting standards, comparative periods have not been re-presented for financial assets and liabilities classified as held-for-sale and distribution. The comparative information presented at 31 December 2017 therefore includes the financial assets and liabilities for the composition of the Group as at 31 December 2016 and 31 December 2015. This note should be read in conjunction with Note E7(c) to obtain a comparable view of the Group's significant inputs to value instruments categorised as Level 3 hierarchy at 31 December 2017.

Types of financial instruments	Fair values			Significant unobservable input	Fair value measurement sensitivity to unobservable inputs		
	At 31 December 2017 R million	At 31 December 2016 R million	At 31 December 2015 R million		At 31 December 2017 R million	At 31 December 2016 R million	At 31 December 2015 R million
<b>Assets</b>							
Investments in associated undertakings and joint ventures	–	2,357	1,162	Valuation multiples	<b>Favourable: nil</b> <b>Unfavourable: nil</b>	Favourable: 222 Unfavourable: 279	Favourable: 97 Unfavourable: 109
Investments and securities	20,397	24,551	29,206	Valuation multiples Correlations Volatilities Credit spreads Dividend growth rates Internal rates of return, Cost of capital Inflation rates Market adjusted price (Price of infrequently traded shares)	<b>Favourable: 1,838</b> <b>Unfavourable: 1,503</b>	Favourable: 3,614 Unfavourable: 3,788	Favourable: 3,390 Unfavourable: 3,214
Loans and advances	–	77	33	Correlations Volatilities Credit spreads	<b>Favourable: nil</b> <b>Unfavourable: nil</b>	Favourable: 3 Unfavourable: 9	Favourable: 3 Unfavourable: 4
Derivatives – assets	29	490	409	Interest rates Volatilities	<b>Favourable: 16</b> <b>Unfavourable: 14</b>	Favourable: 168 Unfavourable: 160	Favourable: 168 Unfavourable: 152
<b>Liabilities</b>							
Investment contract liabilities	–	10,004	13,545	Interest rates Volatilities	<b>Favourable: nil</b> <b>Unfavourable: nil</b>	Favourable: 1,000 Unfavourable: 1,000	Favourable: 1,231 Unfavourable: 1,334
Other liabilities	–	330	–	Valuation multiples	<b>Favourable: nil</b> <b>Unfavourable: nil</b>	Favourable: 23 Unfavourable: 23	n/a
Derivatives – liabilities	–	120	86	Volatilities	<b>Favourable: nil</b> <b>Unfavourable: nil</b>	Favourable: 119 Unfavourable: 275	Favourable: 37 Unfavourable: 33

All the business segments have performed analysis of the impact of reasonable possible assumptions for unobservable inputs based on the specific characteristics of each instrument. As all the changes in the 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.

(c)(ii) **Analysis of investments and securities classified as Level 3 hierarchy**



The table below summarises the categories of investments and securities classified as Level 3 hierarchy:

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
Pooled investments	<b>6,963</b>	7,240	10,291
Unlisted and stale price pooled investments	<b>6,963</b>	6,864	6,594
Suspended funds	<b>–</b>	376	3,697
Unlisted debt and equity securities	<b>12,035</b>	10,918	9,880
Private equity investments	<b>69</b>	5,829	7,553
Other	<b>1,330</b>	564	1,482
	<b>20,397</b>	24,551	29,206

The table below summarises the significant unobservable inputs of investments and securities categorised as Level 3 hierarchy:

Pooled investments	Equity instruments	Other investments
Underlying net asset value	Dividend growth rate	Commodity prices
Published fund price	Volatilities	Interest rates
Credit spreads	Internal rate of return	Inflation rates
Market adjusted prices	Market adjusted prices	

#### (d) Alternative assumptions

Accounting standards require consideration of the effect of reasonable possible alternative assumptions on the fair value of Level 3 financial assets and liabilities.

Alternative assumptions are assessed in terms of possible favourable and unfavourable changes in the key market inputs for the major types of Level 3 financial assets and liabilities. Changes in business risk inputs such as lapses and non-performance risk were also considered.

Management believes that in aggregate, 25% (2016: 25%; 2015: 25%) of the amounts determined in the sensitivity tables represents a reasonable possible alternative judgement in the context of the current macroeconomic environment in which the various businesses of the Group operates. It is therefore considered that the impact of alternative assumptions will be in the range of R464 million (2016: R1,002 million; 2015: R915 million) favourable to R379 million (2016: R1,059 million; 2015: R870 million) unfavourable on profit or loss and assets. The impact on liabilities will be in the range of Rnil (2016: R286 million; 2015: R317 million) favourable and Rnil (2016: R325 million; 2015: R342 million) unfavourable.

Certain items in the Group's statement of financial position that would otherwise be categorised as loans and receivables under IAS 39 have been designated as fair value through profit or loss. Information relating to the change in fair value of these items as it relates to credit risk is shown in the table below.

Consistent with the requirements of accounting standards, comparative periods have not been re-presented for assets and liabilities classified as held-for-sale and distribution. The comparative information presented at 31 December 2017 therefore includes financial instruments designated as fair value through profit or loss for the composition of the Group as at 31 December 2016 and 31 December 2015.

**E4: Financial instruments designated as fair value through profit or loss**

	(R million)		
	At 31 December 2017		
Change in fair value due to change in credit risk	Maximum exposure to credit risk	Current financial year	Cumulative
Investments and securities	117,256	(56)	(256)
	(R million)		
	At 31 December 2016		
Change in fair value due to change in credit risk	Maximum exposure to credit risk	Current financial year	Cumulative
Loans and advances	61,189	(13)	–
Investments and securities	136,730	(126)	(212)
	197,919	(139)	(212)
	(R million)		
	At 31 December 2015		
Change in fair value due to change in credit risk	Maximum exposure to credit risk	Current financial year	Cumulative
Loans and advances	65,127	2	–
Investments and securities	143,863	(6)	(63)
	208,990	(4)	(63)

The change in fair value due to a change in credit risk shown above is determined as the amount of the change in fair value of the instrument that is not attributable to changes in market conditions that give rise to market risk.

For loans and receivables that have been designated as at fair value through profit or loss, individual credit spreads are determined at inception as the difference between the benchmark interest rate and the interest rate charged to the client. Subsequent changes in the benchmark interest rate and the credit spread give rise to changes in fair value of the financial instrument. Loans and advances are reviewed for observable changes in credit risk, and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. No credit derivatives are used to hedge the credit risk on any of the financial assets designated at fair value through profit or loss.

Certain items in the Group's statement of financial position that would otherwise be categorised as financial liabilities at amortised cost under IAS 39, have been designated as fair value through profit or loss. Information relating to the change in fair value of these items as it relates to credit risk is shown in the table below. Consistent with the requirements of accounting standards, comparative periods have not been re-presented for assets and liabilities classified as held-for-sale and distribution. The comparative information therefore includes items in the Group's statement of financial position that would otherwise be categorised as financial liabilities at amortised cost under IAS 39 for the composition of the Group as at 31 December 2016 and 31 December 2015.

	(R million)			
	At 31 December 2017			
Change in fair value due to change in credit risk	Fair value	Current financial year	Cumulative	Contractual maturity amount
Borrowed funds	13,191	(433)	2,080	15,212

	(R million)			
	At 31 December 2016			
Change in fair value due to change in credit risk	Fair value	Current financial year	Cumulative	Contractual maturity amount
Borrowed funds	15,859	409	1,666	14,760
Amounts owed to bank depositors	64,253	73	150	64,210
	80,112	482	1,816	78,970

	(R million)			
	At 31 December 2015			
Change in fair value due to change in credit risk	Fair value	Current financial year	Cumulative	Contractual maturity amount
Borrowed funds	18,355	461	1,692	17,821
Amounts owed to bank depositors	65,839	90	156	66,032
	84,194	551	1,848	83,853

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 categorised as held-to-maturity loans and advances, certain borrowed funds and other financial assets and financial liabilities 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 the financial liability in an involuntary liquidation or distressed sale.

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.

Fair value hierarchy for assets and liabilities not measured at fair value classified as held-for-sale and distribution at 31 December 2017, is presented separately from that of the continuing operations. Consistent with the requirements of accounting standards, comparative periods have been not re-presented for assets and liabilities classified as held-for-sale and distribution. The comparative information presented at 31 December 2017 therefore includes the fair value hierarchy for those assets and liabilities for which the fair value is different to the carrying value for the composition of the Group as at 31 December 2016 and 31 December 2015.

	(R million)				
	Carrying value	Fair value			
Continuing operations at 31 December 2017		Level 1	Level 2	Level 3	Total
<b>Financial liabilities</b>					
Borrowed funds	5,675	1,274	4,648	–	5,922

	(R million)				
	Carrying value	Fair value			
Classified as assets and liabilities held-for-sale and distribution at 31 December 2017		Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Loans and advances	632,089	–	–	628,237	628,237
Investments and securities	54,056	23,993	25,130	–	49,123
<b>Financial liabilities</b>					
Borrowed funds	50,340	23,975	25,689	–	49,664

	(R million)				
	Carrying value	Fair value			
At 31 December 2016		Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Loans and advances	648,351	–	–	639,854	639,854
Investments and securities	55,576	21,668	33,617	–	55,285
<b>Financial liabilities</b>					
Borrowed funds	63,726	28,890	32,824	–	61,714

	(R million)				
	Carrying value	Fair value			
At 31 December 2016		Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Loans and advances	603,275	–	–	599,488	599,488
Investments and securities	51,669	17,410	32,699	–	50,109
<b>Financial liabilities</b>					
Borrowed funds	62,058	37,331	23,275	–	60,606

#### Investments and securities

For investments and securities shown within notes E1 and E7(a) as either held-to-maturity investments and loans and receivables in terms of IAS 39 and therefore not carried at fair value, 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).

As at 31 December 2017, all of the assets of Nedbank had been transferred to assets held-for-sale and distribution, including all of the Group's investments and securities classified as either held-to-maturity investments or loans and receivables. All of the Group's remaining investments and securities were carried at fair value.

## **Loans and advances**

Loans and advances shown within notes E1 and E7(a) as loans and receivables in terms of IAS 39 and therefore not carried at fair value, 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.

For specifically impaired loans and advances, the carrying value as determined after consideration of the Group's IAS 39 credit impairments, is considered the best estimate of fair value.

The Group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cash flows per product type. Future cash flows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Inputs into the model include various assumptions utilised in the pricing of loans and advances. The determination of such inputs is highly subjective and therefore any change to one or more of the assumptions may result in a significant change in the determination of the fair value of loans and advances.

As at 31 December 2017, all of the assets of Nedbank were transferred to assets held-for-sale and distribution, including most of the Group's loans and advances. The remaining amount of R21,483 million is held by Emerging Markets, for which the carrying value is considered a reasonable approximation of the fair value.

## **Borrowed funds**

Borrowed funds shown within notes E1 and E7(a) as financial liabilities at amortised cost in terms of IAS 39 are not carried at fair value. 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). During 2017 most of the Group's borrowed funds not held at fair value were either redeemed or transferred to assets held-for-sale and distribution.

## **Fair value hierarchy for items for which carrying value is considered an approximation of fair value**

### **Other financial assets**

The carrying values of cash and cash equivalents, mandatory deposits with central banks and trade, other receivables and other assets are considered a reasonable approximation of their respective fair values as they are either short term in nature or are repriced to current market rates at frequent intervals. Trade, other receivables and other assets are classified into Level 3 of the fair value hierarchy.

### **Amounts owed to depositors**

Amounts owed to depositors principally comprises variable rate liabilities. The carrying value of the amounts owed to depositors approximates fair value because the instruments reprice to current market rates at frequent intervals. In addition, a significant portion of the balance is callable or is short term in nature. Amounts owed to depositors would be classified into Level 2 of the fair value hierarchy.

### **Other financial liabilities**

The carrying values of trade, other payables, and other liabilities are considered a reasonable approximation of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals. Trade, other payables and other liabilities would be classified into Level 3 of the fair value hierarchy.

#### 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 ISDA or similar type of agreements. These agreements aim to protect the parties in the event of default.

The following table presents information on the potential effect of netting offset arrangements after taking into consideration these types of agreements of the Group's continuing operations. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for assets and liabilities classified as held-for-sale and distribution. The comparative information presented at 31 December 2017 therefore includes the potential effect of netting offsetting arrangements for the composition of the Group as at 31 December 2016 and 31 December 2015.

	(R million)				
	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 <sup>1</sup>	Position not available to be offset
<b>At 31 December 2017</b>					
<b>Financial assets</b>					
Derivative financial instruments – assets	4,101	–	4,101	(3,503)	598
Cash and cash equivalents	31,276	(515)	30,761	–	30,761
<b>Financial liabilities</b>					
Trade, other payables and other liabilities	42,870	(515)	42,355	(101)	42,254
Derivative financial instruments – liabilities	4,498	–	4,498	(3,503)	995

	(R million)				
At 31 December 2016	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 <sup>1</sup>	Position not available to be offset
<b>Financial assets</b>					
Loans and advances	759,384	(28,478)	730,906	–	730,906
Derivative financial instruments – assets	28,628	(5,909)	22,719	(16,540)	6,179
Cash and cash equivalents	84,330	(2,155)	82,175	–	82,175
<b>Financial liabilities</b>					
Trade, other payables and other liabilities	88,833	(2,155)	86,678	(10,506)	76,172
Amounts owed to bank depositors	796,701	(28,478)	768,223	–	768,223
Derivative financial instruments – liabilities	25,590	(5,909)	19,681	(11,431)	8,250

	(R million)				
At 31 December 2015	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 <sup>1</sup>	Position not available to be offset
<b>Financial assets</b>					
Loans and advances	744,423	(37,855)	706,568	–	706,568
Derivative financial instruments – assets	82,745	(12,546)	70,199	(35,152)	35,047
Cash and cash equivalents	103,243	(2,577)	100,666	–	100,666
<b>Financial liabilities</b>					
Trade, other payables and other liabilities	88,105	(2,577)	85,528	(7,565)	77,963
Amounts owed to bank depositors	775,504	(37,855)	737,649	–	737,649
Derivative financial instruments – liabilities	88,228	(12,546)	75,682	(39,647)	36,035

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. Details of the Group's security lending arrangements can be found in note G3, Securities Lending.

## E7: Categories of financial instruments classified as held-for-sale and distribution

## (a) Categories of financial assets and liabilities

The following table provides an analysis of the categories of financial instruments of assets and liabilities classified as held-for-sale and distribution. Refer to note A4 for more information about businesses classified as held-for-sale and distribution. These notes should be read in conjunction with note E1 in order to obtain a comparable view of the Group's categories of financial instruments of assets and liabilities classified as held-for-sale and distribution at 31 December 2017.

								(R million)
At 31 December 2017	Fair value (note E7(b))				Amortised cost			
	Total	Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities
Measurement basis								
Assets								
Mandatory reserve deposits with central banks	19,222	–	–	–	–	19,222	–	–
Investments in associated undertakings and joint ventures	6,767	–	3,203	–	–	–	–	3,564
Reinsurers’ share of policyholder liabilities	48,817	–	42,316	–	–	93	–	6,408
Loans and advances	713,287	19,598	61,575	25	–	632,089	–	–
Investments and securities	1,236,927	54,920	1,108,202	19,749	49,629	4,427	–	–
Trade, other receivables and other assets	27,115	4,970	–	–	–	10,463	–	11,682
Derivative financial instruments	30,863	30,863	–	–	–	–	–	–
Cash and cash equivalents	50,257	–	–	–	–	50,257	–	–
Total assets that include financial instruments	2,133,255	110,351	1,215,296	19,774	49,629	716,551	–	21,654
Total other non-financial assets	55,188	–	–	–	–	–	–	55,188
Total assets	2,188,443	110,351	1,215,296	19,774	49,629	716,551	–	76,842
Liabilities								
Life insurance contract liabilities	10,467	–	–	–	–	–	–	10,467
Investment contract liabilities	1,009,095	–	1,009,095	–	–	–	–	–
Third party interest in consolidation of funds	127,427	–	127,427	–	–	–	–	–
Borrowed funds	50,792	–	452	–	–	–	50,340	–
Trade, other payables and other liabilities	38,256	7,453	–	–	–	–	11,687	19,116
Amounts owed to bank depositors	766,877	23,201	54,762	–	–	–	688,914	–
Derivative financial instruments	30,061	30,061	–	–	–	–	–	–
Total liabilities that include financial instruments	2,032,975	60,715	1,191,736	–	–	–	750,941	29,583
Total other non-financial liabilities	10,784	–	–	–	–	–	–	10,784
Total liabilities	2,043,759	60,715	1,191,736	–	–	–	750,941	40,367



**(b) Disclosure of financial assets and liabilities held-for-sale and distribution measured at fair value**

The table below presents a summary of the Group's financial assets and liabilities included in assets and liabilities held-for-sale and distribution, that are measured at fair value in the consolidated statement of financial position according to their IAS 39 classification, as set out in the accounting policies note K and in terms of the fair value hierarchy described in note E2. The majority of the Group's financial assets are measured utilising market observable inputs (Level 1) and there has been no significant change compared to the prior year. This note should be read in conjunction with note E3 in order to obtain a comparable view of the Group's financial assets and liabilities held-for-sale and distribution measured at fair value at 31 December 2017.

	(R million)			
<b>At 31 December 2017</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets held-for-sale and distribution measured at fair value</b>				
Held-for-trading (fair value through profit or loss)	<b>110,351</b>	<b>10,079</b>	<b>100,271</b>	<b>1</b>
Loans and advances	19,598	–	19,598	–
Investments and securities	54,920	5,095	49,825	–
Other financial assets	4,970	4,970	–	–
Derivative financial instruments – assets	30,863	14	30,848	1
Designated (fair value through profit or loss)	<b>1,215,296</b>	<b>972,768</b>	<b>218,738</b>	<b>23,790</b>
Investments in associated undertakings and joint ventures	3,203	–	–	3,203
Reinsurers' share of policyholder liabilities	42,316	42,316	–	–
Loans and advances	61,575	3,079	58,463	33
Investments and securities	1,108,202	927,373	160,275	20,554
Available-for-sale financial assets (fair value through equity)	<b>19,774</b>	<b>47</b>	<b>19,317</b>	<b>410</b>
Loans and advances	25	25	–	–
Investments and securities	19,749	22	19,317	410
<b>Total financial assets held-for-sale and distribution measured at fair value</b>	<b>1,345,421</b>	<b>982,894</b>	<b>338,326</b>	<b>24,201</b>
<b>Financial liabilities held-for-sale and distribution measured at fair value</b>				
Held-for-trading (fair value through profit or loss)	<b>60,715</b>	<b>6,992</b>	<b>53,288</b>	<b>435</b>
Other liabilities	7,453	6,990	28	435
Amounts owed to bank depositors	23,201	–	23,201	–
Derivative financial instruments – liabilities	30,061	2	30,059	–
Designated (fair value through profit or loss)	<b>1,191,736</b>	<b>961,801</b>	<b>210,385</b>	<b>19,550</b>
Investment contract liabilities	1,009,095	961,801	27,744	19,550
Third party interests in consolidated funds	127,427	–	127,427	–
Borrowed funds	452	–	452	–
Other liabilities	–	–	–	–
Amounts owed to bank depositors	54,762	–	54,762	–
<b>Total financial liabilities held-for-sale and distribution liabilities measured at fair value</b>	<b>1,252,451</b>	<b>968,793</b>	<b>263,673</b>	<b>19,985</b>

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

The table below summarises the significant inputs to value instruments categorised as Level 3 of the fair value hierarchy and their sensitivity to changes in the inputs used.

Types of financial instruments	Fair values	Significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
	At 31 December 2017 R million		At 31 December 2017 R million
Assets			
Investments in associated undertakings and joint ventures	3,203	Valuation multiples	Favourable: 299 Unfavourable: 375
Investments and securities	20,964	Valuation multiples Correlations Volatilities Credit spreads Market adjusted price Exchange price of infrequently traded shares	Favourable: 2,087 Unfavourable: 2,120
Loans and advances	33	Correlations Volatilities Credit spreads	Favourable: 3 Unfavourable: 4
Liabilities			
Investment contract liabilities	19,550	Interest rates Volatilities	Favourable: 1,954 Unfavourable: 1,954
Other liabilities	435	Valuation multiples	Favourable: 36 Unfavourable: 43

**F: Capital and financial risk management**

**F1: Capital management**

The managed separation of the Group will free the constituent parts into four strong, independent businesses, each having a capital structure and dividend policy suitable for its own strategy. The Group position must be compliant with regulatory requirements at all times. The Group has no appetite for regulatory intervention during managed separation, whether perceived or real. As such, we hold a buffer above minimum requirements in order to remain solvent.

The primary sources of capital used by the Group are equity shareholders' funds, subordinated debt and borrowings. Alternative resources are utilised where appropriate. Targets are established in relation to regulatory solvency, credit ratings, liquidity and dividend capacity and are a key tool in managing capital in accordance with our risk appetite and the requirements of our various stakeholders.

The Group measures its Group Solvency in accordance with the EU Solvency II Directive. At 31 December 2017, the unaudited Group Solvency II surplus was estimated to be R25.1 billion (£1.5 billion).

**F2: Insurance risk (risk arising within insurance contracts)**

For the purposes of these financial statements, insurance risk is defined as risk other than financial risk. Contracts issued by the Group may include both insurance and financial risk. Contracts with significant insurance risk are classified as insurance contracts, while contracts with no or insignificant insurance risk are classified as investment contracts.

The Group assumes insurance risk by issuing insurance contracts, under which the Group agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) affecting the policyholder occurs. Insurance risk includes mortality and morbidity risk in the case of life assurance or risk of loss (from fire, accident, or other source) in the case of property & casualty.

Insurance risk arises through exposure to variable claims experience on life assurance, critical illness and other protection business and exposure to variable operating experience in respect of factors such as persistency levels and management expenses. Unfavourable persistency, expenses and mortality and morbidity claim rates, relative to the actuarial assumptions made in the pricing process, may prevent the Group from achieving its profit objectives.

The Group has developed a risk policy which sets out the practices which are used to monitor and manage insurance risk as well as management information and stress testing requirements. The policy is cascaded to all relevant entities across the Group who each have their own risk policy suite aligned to the Group. As well as management of persistency, expense and claims experience, the risk policy sets requirements and standards on matters such as underwriting and claims management practices, and the use of reinsurance to mitigate insurance risk.

The insurance risk profile and experience is closely monitored to ensure that the exposure remains acceptable.

The financial impact of insurance risk events is examined by the business through stress tests carried out within the IFRS sensitivities, regulatory capital sensitivities and Economic Capital assessments where applicable.

### **Mortality and morbidity**

Mortality and morbidity risk is the risk that death, critical illness and disability claims are different from expected levels. Possible causes are new and unexpected epidemics and widespread changes in lifestyle such as eating, smoking and exercise habits. Higher than expected claims levels will reduce expected emerging profits. For contracts where the insured risk is survival, the most significant factor that is likely to adversely impact the claims experience is continued improvement in medical science and social conditions that increase longevity.

For unit-linked contracts, a risk charge is applied to meet the expected cost of the insured benefit (in excess of the unit value). This risk charge can be altered in the event of significant changes in the expectation for future claims experience, subject to 'Treating Customers Fairly' principles.

The operations manage mortality and morbidity risks through its underwriting policy and external reinsurance arrangements where the policy is to retain certain types of insurance risks within specified maximum single event loss limits. Exposures above accepted limits are transferred to reinsurance counterparties.

### **Persistency**

Persistency risk is the risk that policyholder surrenders, transfers or premium cessation on contracts occur at levels that are different to expected.

In order to limit this risk to an acceptable level, products (including charging and commission structures) are designed to limit the financial loss on surrender, subject to "Treating Customers Fairly" principles.

Persistency statistics are monitored monthly and a detailed persistency analysis at a product level is carried out on an annual basis. Management actions may be triggered if statistics show significant adverse movement or emerging trends in experience.

### **Expenses**

Expense risk is the risk that actual expenses and expense inflation differ from expected levels. Higher expenses and expense inflation may result in emerging profit falling below the Group's profit objectives.

Expense levels are monitored quarterly against budgets and forecasts. An activity-based costing process is used to allocate costs relating to processes and activities to individual product lines.

Some products' structures include maintenance charges. These charges are reviewed annually in light of changes in maintenance expense levels. This review may result in changes in charge levels, subject to "Treating Customers Fairly" principles.

### **Tax**

Tax risk is the risk that the projected taxation basis for basic life assurance business is incorrect, resulting in contracts being incorrectly priced.

Tax risk also represents potential changes in the interpretation or application of prevailing tax legislation applicable to either policyholders or shareholders, resulting in higher taxes reducing profitability or increasing shareholder tax burdens. The taxation position of the operations is projected annually and tax changes will result in changes to new business pricing models as part of the annual control cycle. High risk issues and emerging trends are reported internally on a quarterly basis.

### F3: Financial risk management

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.

#### (a) Credit risk

##### (i) Overall exposure to credit risk

Credit risk is defined as the risk that one party 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.

Credit risk in the Group arises from a number of activities of the Group, namely banking lending, trading, investing and other activities. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. Credit risk is managed through research and analysis at the time of investment or granting of the loan and then continuously monitored.

The Group is exposed to banking credit risk from lending and other financing activities, through its exposure to Nedbank and the banking operations within Emerging Markets business. Nedbank's lending portfolio forms a substantial part of the Group's loans and advances, as analysed in note G1. Credit risk represents the most significant risk type facing Nedbank, accounting for the majority of its economic capital requirements. Nedbank's credit risk profile is managed in terms of the credit risk management framework, which encompasses comprehensive credit risk policy, mandate (limits) and governance structures, and is approved by the Nedbank Board.

The Group is exposed to the risk of credit defaults and movements in credit spreads from our insurance businesses. This includes counterparty default risk, which also arises mainly from reinsurance and hedging arrangements.

The Group also has limited other credit risk exposures in respect of amounts due from policyholders and intermediaries. Loans to policyholders are secured on the surrender value of the relevant policies.

##### (ii) Maximum exposure to credit risk

The table below represents the maximum exposure to credit risk, without taking into account the value of any collateral obtained and are presented for the Group's continuing operations. Consistent with the requirements of accounting standards, comparative periods have not been re-presented for financial assets and liabilities classified as held-for-sale and distribution. The comparative information presented at 31 December 2017 therefore includes the maximum exposure to credit risk for the composition of the Group as at 31 December 2016 and 31 December 2015.

The maximum exposure to credit risk with regards to derivative financial instruments represents the current fair value of these instruments and does not take into account the impact of any positive or adverse changes in the value of the derivative financial instruments. The total credit exposure also includes potential exposure arising from financial guarantees given by the Group and undrawn loan commitments, which are not yet reflected in the Group's statement of financial position.

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
Mandatory reserve deposits with central banks	94	18,836	16,346
Reinsurers' share of policyholder liabilities	4,220	52,824	60,714
Loans and advances	21,483	730,906	706,568
Investments and securities	254,256	446,749	421,843
Government and government-guaranteed securities	90,711	134,478	146,643
Other debt securities, preference shares and debentures	90,539	236,885	214,783
Short-term funds and securities treated as investments	68,702	70,076	51,098
Other	4,304	5,310	9,319
Other assets	18,760	30,216	38,008
Derivative financial instruments – assets	4,101	22,719	70,199
Cash and cash equivalents	30,761	82,175	100,666
Financial guarantees and other credit-related contingent liabilities	–	33,506	40,910
Loan commitments and other credit-related commitments	–	89,405	94,371
Included within assets held-for-sale	1,265,602	5,205	707
	1,599,277	1,512,541	1,550,332

## **(b) Market risk**

### **(i) Overview**

Market risk is the risk of a financial impact arising from the changes in values of financial assets or financial liabilities from changes in equity, bond and property prices, interest rates and foreign exchange rates. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held.

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 businesses across the Group. Each of the Group's business has their own established set of policies, principles and governance processes to monitor and manage market risk within their individual businesses and in accordance with their local regulatory requirements.

The sensitivity of the Group's earnings, capital position and embedded value to market risk is monitored through the Group's embedded value and risk appetite reporting processes.

### **(ii) Insurance operations**

For the Group's insurance operations, equity, property, volatility and interest rate risk exposure to capital and earnings are quantified in accordance with the businesses risk appetite framework.

In South Africa the stock selection and investment analysis process is supported by a well-developed research function. For fixed annuities, market risks are managed where possible by investing in fixed interest securities with a duration closely corresponding to those liabilities. Market risk on policies that include guarantees where shareholders carry the investment risk, principally reside in the South African guaranteed non-profit annuity book, which is closely matched with gilts and semi-gilts. Other non-profit policies are also suitably matched based upon comprehensive investment guidelines. Market risk on with-profit policies with guarantees is managed through appropriate asset-liability matching, which includes hedging, as per the PPFM (Principles and Practices of Financial Management).

In Old Mutual Wealth's unitlinked assurance operations, policyholders carry the full market risk, with the only risk to the Group being asset-based fee risk from charges on policyholder funds. In respect of Old Mutual Wealth's shareholders' funds, market risk is addressed in Old Mutual Wealth's investment policy, which provides for very limited opportunity for entities to invest their shareholder capital in equities and other volatile assets.

For Old Mutual Bermuda, the market risk to shareholders post the sale of the business to Beechwood Bermuda Limited arises from the retention of the Guaranteed Minimum Accumulation Benefits (GMABs), which is reinsured by Old Mutual (Bermuda) Re Limited until the last guarantee has expired in August 2018. These GMABs are US dollar denominated guarantees. The equity market risk and currency risk is managed through a put option hedging strategy that substantially reduces exposure to increases in GMAB funding costs.

### **(iii) Banking operations**

The principal market risks arising in the Group's banking operations arise from:

- Trading risk in Nedbank Capital, and
- Banking book interest rate risk from repricing and/or maturity mismatches between balance sheet components in all banking businesses.

A comprehensive market risk framework is used to ensure that market risks are understood and managed. Governance structures are in place to achieve effective independent monitoring and management of market risk.

## **Banking operations – Trading risk**

Market risk exposures from trading activities at Nedbank Capital are measured using Value-at-Risk (VaR), supplemented by sensitivity analysis, and stress and scenario analysis. Limit structures are set accordingly.

The VaR risk measure for Nedbank estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by Nedbank represents the overnight loss that has less than 1% chance of occurring under normal market conditions. By its nature, VaR is only a single measure and cannot be relied upon on its own as a means of measuring and managing risk.

	(R million)											
	Average			Minimum			Maximum			Year-end		
At 31 December	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
<b>Historical VaR (one-day, 99%) by risk type</b>												
Foreign exchange	<b>4.5</b>	9.3	3.2	<b>0.9</b>	1.0	0.6	<b>11.5</b>	25.4	17.8	<b>3.8</b>	2.8	17.7
Interest rate	<b>21.2</b>	16.4	7.4	<b>11.1</b>	7.8	3.7	<b>38.3</b>	34.1	23.4	<b>31.3</b>	11.4	22.4
Equity product	<b>3.3</b>	4.0	3.4	<b>0.9</b>	1.1	0.6	<b>13.7</b>	8.2	11.1	<b>3.7</b>	2.2	6.3
Other	<b>9.3</b>	7.6	7.4	<b>6.2</b>	4.9	4.9	<b>16.8</b>	13.6	14.0	<b>12.8</b>	8.4	10.9
Diversification	<b>(15.3)</b>	(11.8)	(7.7)	–	–	–	–	–	–	<b>(27.6)</b>	(8.4)	(15.0)
Total VaR exposure	<b>23.0</b>	25.5	13.7	<b>13.0</b>	9.5	7.5	<b>40.2</b>	51.2	44.6	<b>24.0</b>	16.4	42.3

### Banking book interest rate risk

Banking book interest rate risk at Nedbank arises because:

- The bank writes a large amount of prime-linked assets and raises fewer prime-linked deposits.
- Funding is prudently raised across the curve at fixed-term deposit rates that re-price only on maturity.
- Short-term demand-funding products re-price to different short-end base rates.
- Certain ambiguous maturity accounts are non-rate-sensitive.
- The bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that do not re-price for interest rate changes.

The Group employs various analytical techniques to measure interest rate sensitivity monthly within the banking book on both an earnings and economic value basis (where appropriate) for banking book balance sheets with the group with material exposure to interest rate risk in the banking book. Assets, liabilities and derivative financial instruments are modelled and reported based on their contractual repricing or maturity characteristics. Where advances are exposed to prepayments and deposits to ambiguous repricing, the Group approves the use of prepayment models for the hedging of fixed rate advances and behavioural repricing assumptions for the modelling and reporting of ambiguous repricing deposits, where appropriate.

At the reporting date, the net interest income sensitivity of the banking book for a one percent parallel reduction in interest rates measured over 12 months is a decrease in net interest income of approximately R1,363 million (2016: R1,367 million; 2015: R1,210 million), which is within the board's approved risk limit. The group's net interest income sensitivity exhibits very little convexity and will therefore also result in an increase in pre-tax net interest income of similar amounts should interest rates increase by one percent. Net interest income sensitivity is actively managed through on-and off-balance-sheet interest rate risk management strategies for the Group's expected interest rate view and impairment sensitivity.

### F4: Currency translation risk

The Group is exposed to movements in exchange rates from changes in earnings denominated in foreign currencies. From a capital perspective, our 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. The functional currencies of the Group's principal overseas operations are rand, pound, US dollar and euro.

Certain of the Group's business operations may undertake activities that are not in their functional currencies. These activities, such as Nedbank, which has a functional currency of South African rand, lending in US dollar, are economically hedged by numerous activities such as the use of currency swaps, currency borrowings and forward foreign exchange contracts.

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. The table below is therefore a reflection of the foreign currency exposures in their respective currencies for the Group's continuing businesses. Consistent with the requirements of accounting standards, comparative periods have not been re-presented for assets and liabilities classified as held-for-sale and distribution. The comparative information presented at 31 December 2017 therefore includes the maximum exposure to credit risk for the composition of the Group as at as at 31 December 2016.

	(R million)					
At 31 December 2017	ZAR	GBP	USD	EUR	Other	Total
<b>Assets</b>						
Mandatory reserve deposits with central banks	–	–	–	–	94	94
Investments in associated undertakings and joint ventures' undertakings	1,421	302	21	–	45	1,789
Reinsurers' share of policyholder liabilities	3,402	–	9	–	809	4,220
Loans and advances	9,716	–	8,291	–	3,476	21,483
Investments and securities	553,756	9,509	127,346	2,412	29,226	722,249
Trade, other receivables and other assets	18,530	376	1,763	1	1,205	21,875
Derivative financial instruments – assets	3,502	559	38	–	2	4,101
Cash and cash equivalents	15,657	9,557	4,116	38	1,393	30,761
Total assets that include financial instruments	605,984	20,303	141,584	2,451	36,250	806,572
Assets held-for-sale and distribution	876,284	1,088,509	143,674	23,343	56,633	2,188,443
Total non-financial assets	37,554	762	6,491	–	7,064	51,871
<b>Total assets</b>	<b>1,519,822</b>	<b>1,109,574</b>	<b>291,749</b>	<b>25,794</b>	<b>99,947</b>	<b>3,046,886</b>
<b>Liabilities</b>						
Long-term business insurance policyholder liabilities	553,043	2,019	54,192	–	31,849	641,103
Third party interest in consolidation of funds	81,573	–	–	–	–	81,573
Borrowed funds	9,385	7,720	289	–	1,472	18,866
Trade, other payables and other liabilities	36,570	1,590	1,051	2	3,142	42,355
Amounts owed to bank depositors	–	–	10,465	–	1,975	12,440
Derivative financial instruments – liabilities	4,475	–	14	–	9	4,498
Total liabilities that include financial instruments	685,046	11,329	66,011	2	38,447	800,835
Liabilities held-for-sale and distribution	789,590	1,047,277	124,529	21,624	60,739	2,043,759
Total non-financial liabilities	14,306	521	1,234	–	2,786	18,847
<b>Total liabilities</b>	<b>1,488,942</b>	<b>1,059,127</b>	<b>191,774</b>	<b>21,626</b>	<b>101,972</b>	<b>2,863,441</b>

	(R million)					
<b>At 31 December 2016</b>	ZAR	GBP	USD	EUR	Other	Total
<b>Assets</b>						
Mandatory reserve deposits with central banks	18,271	–	–	–	565	18,836
Investments in associated undertakings and joint ventures' undertakings	8,154	463	111	–	455	9,183
Reinsurers' share of policyholder liabilities	3,318	48,564	37	–	905	52,824
Loans and advances	656,200	8,386	40,926	3,237	22,157	730,906
Investments and securities	635,760	784,176	203,174	21,089	57,906	1,702,105
Trade, other receivables and other assets	25,314	12,419	1,964	3	1,273	40,973
Derivative financial instruments – assets	20,719	1,301	500	154	45	22,719
Cash and cash equivalents	37,558	31,433	6,784	1,154	5,246	82,175
Total assets that include financial instruments	1,405,294	886,742	253,496	25,637	88,552	2,659,721
Assets held-for-sale and distribution	2,248	490	42,608	99,466	488	145,300
Total other non-financial assets	49,340	36,042	6,990	68	9,054	101,494
<b>Total assets</b>	<b>1,456,882</b>	<b>923,274</b>	<b>303,094</b>	<b>125,171</b>	<b>98,094</b>	<b>2,906,515</b>
<b>Liabilities</b>						
Long-term business insurance policyholder liabilities	535,379	761,674	117,269	17,434	53,182	1,484,938
Third party interest in consolidation of funds	69,423	65,896	–	–	–	135,319
Borrowed funds	60,372	17,244	604	–	1,365	79,585
Trade, other payables and other liabilities	62,864	18,592	1,242	194	3,786	86,678
Amounts owed to bank depositors	680,181	14,767	44,877	4,526	23,872	768,223
Derivative financial instruments – liabilities	17,585	1,559	336	175	26	19,681
Total liabilities that include financial instruments	1,425,804	879,732	164,328	22,329	82,231	2,574,424
Liabilities held-for-sale and distribution	12	431	22,633	95,894	488	119,458
Total other non-financial liabilities	13,083	8,248	972	165	3,253	25,721
<b>Total liabilities</b>	<b>1,438,899</b>	<b>888,411</b>	<b>187,933</b>	<b>118,388</b>	<b>85,972</b>	<b>2,719,603</b>



	(R million)					
<b>At 31 December 2015</b>	ZAR	GBP	USD	EUR	Other	Total
<b>Assets</b>						
Mandatory reserve deposits with central banks	15,889	–	–	–	457	16,346
Investments in associated undertakings and joint ventures' undertakings	10,487	624	625	–	–	11,736
Reinsurers' share of policyholder liabilities	2,544	57,206	34	–	930	60,714
Loans and advances	626,153	9,646	48,519	2,989	19,261	706,568
Investments and securities	588,820	897,824	236,212	130,507	61,175	1,914,538
Trade, other receivables and other assets	24,325	9,671	4,675	2,383	3,350	44,404
Derivative financial instruments – assets	36,034	33,440	455	149	121	70,199
Cash and cash equivalents	37,052	37,165	9,883	10,424	6,142	100,666
Total assets that include financial instruments	1,341,304	1,045,576	300,403	146,452	91,436	2,925,171
Assets held-for-sale and distribution	581	883	–	–	1,344	2,808
Total other non-financial assets	45,877	51,602	33,684	1,914	12,138	145,215
<b>Total assets</b>	<b>1,387,762</b>	<b>1,098,061</b>	<b>334,087</b>	<b>148,366</b>	<b>104,918</b>	<b>3,073,194</b>
<b>Liabilities</b>						
Long-term business insurance policyholder liabilities	514,753	894,573	134,744	123,127	57,136	1,724,333
Third party interest in consolidation of funds	62,603	72,658	330	11	138	135,740
Borrowed funds	51,792	25,048	1,986	–	1,587	80,413
Trade, other payables and other liabilities	45,782	22,575	8,293	1,817	7,061	85,528
Amounts owed to bank depositors	643,076	14,479	53,355	5,642	21,097	737,649
Derivative financial instruments – liabilities	42,279	32,307	917	72	107	75,682
Total liabilities that include financial instruments	1,360,285	1,061,640	199,625	130,669	87,126	2,839,345
Liabilities held-for-sale and distribution	–	268	–	–	–	268
Total other non-financial liabilities	14,164	11,155	2,671	973	3,402	32,365
<b>Total liabilities</b>	<b>1,374,449</b>	<b>1,073,063</b>	<b>202,296</b>	<b>131,642</b>	<b>90,528</b>	<b>2,871,978</b>

The Group reduces the risk to foreign currency fluctuations through the use of currency swaps, currency borrowings and forward foreign exchange contracts (note G4). The Group further reduces its exposure to foreign exchange movements through net investment hedges (note G5). There are no direct exposures to the unit-linked investments and related policyholder liabilities.

## **F5: Liquidity risk**

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity requirements. The Group manages liquidity by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Individual businesses separately maintain and manage their local liquidity requirements according to their business needs, within the overall liquidity framework established by Old Mutual Limited. Under the Group's managed separation strategy, a revised liquidity capital management policy was introduced that is designed to allow for flexibility in managing liquidity. We hold a buffer at Group level to support this, sufficient to withstand a liquidity survival horizon of at least 12 months. We also have a multi-year liquidity view over the managed separation horizon. The Group should be able to meet short-term plausible but extreme losses. As the businesses transition into separate entities, management will assess their day 1 liquidity requirements, and where appropriate, we will transition liquidity buffers currently held and funded at Old Mutual plc into the businesses.

The Group continues to meet Group and individual entity capital requirements, and day-to-day liquidity needs through the Group's available cash resources and, if necessary, available credit facilities. The Group's liquid resources are held in large portfolios of highly marketable securities, for example listed bonds, actively traded pooled investments, equities and cash and cash equivalents. Whilst most of the Group's policyholder and banking liabilities are generally repayable on demand, the Group's expectation is that policyholders and banking depositors will only require funds on an ongoing basis. However, cash resources and other liquid assets are maintained in the event of a need for additional liquidity. Information on the nature of the investments and securities held is given in note G2.

Old Mutual plc has access to a R13.4 billion (£800 million) (2016: R13.6 billion (£800 million); 2015: R18.3 billion (£800 million) multi-currency revolving credit facility. R1.2 billion (£73 million) of the facility matures in August 2019, a further R1.2 billion (£73 million) matures in August 2020 and the remaining R11.0 billion (£654 million) matures in August 2021. At 31 December 2017 none of this facility was drawn. Further details, together with information on the Group's borrowed funds, are given in note G7.

The key information reviewed by the Group's Executive Directors and Executive Committee is a detailed management report on the Group's and holding company's current and planned capital and liquidity position, together with summary information on the current and planned liquidity positions of the Group's operating segments. Forecasts are updated regularly based on new information received and also as part of the Group's annual business planning cycle. The Group and holding company's liquidity and capital position and forecast are presented to the Board of Directors on a regular basis.

Group operating segments are required, both in terms of their local requirements and in accordance with direction from the holding company, to establish their own processes for managing their liquidity and capital needs and these are subject to review by their local oversight functions, with representation from the Group.

The Group does not have material liquidity exposure to special purpose entities or investment funds.

The contractual maturities of the Group's financial liabilities and insurance contracts are set out in notes G4, G6, G7 and G8.

## **G: Analysis of financial assets and liabilities**

The analysis of financial assets and liabilities of the Group's continuing operations are set out in the following notes. In order to provide further insight into significant line items in the statement of financial position for the businesses classified as held-for-sale and distribution at 31 December 2017, additional information has been presented after the information presented for the continuing operations, within the notes to which they relate.

The individual notes where additional information on financial assets and liabilities classified as held-for-sale and distribution are provided are loans and advances (note G1.1), investment and securities (note G2.1); derivative assets and liabilities (note G4.1), insurance and investment contracts (note G6.1), borrowed funds (note G7.1) and amounts owed to bank depositors (note G8.1).

All financial assets and liabilities notes which require a movement analysis will include the information for all items, including movements in assets and liabilities classified as held-for-sale or distribution for the year. Therefore, the amounts reflected in the movement tables will not agree to the consolidated income statement amounts presented as the results of the discontinued operations are recognised on a single line in the consolidated income statement. At the end of the movement analysis, a single line item will indicate the value of the assets or liabilities that have been transferred to assets and liabilities held-for-sale or distribution.

Consistent with the requirements of accounting standards, comparative periods have not been re-presented for financial assets and liabilities classified as held-for-sale and distribution. The comparative information presented at 31 December 2017 therefore includes the financial assets and liabilities for the composition of the Group as at 31 December 2016 and 31 December 2015.

The notes listed above should be read in conjunction with notes relating to the continuing operations (notes G1, G2, G4, G6, G7 and G8), in order to obtain a comparable view of the Group's significant financial assets and liabilities at 31 December 2017.

#### **G1: Loans and advances**

The Group extends advances to individuals and to the corporate, commercial and public sectors through its banking operations in South Africa, Namibia, Kenya and Zimbabwe.

Interest earned on loans and advances is analysed in note D3 Banking interest and similar income and credit impairment charges are included in note G1(d) Provision for impairment.

##### **Critical accounting estimates and judgements – Provisions for impairment of loans and advances**

Allowances for loan impairment represent management's estimate of the losses incurred in the loans and advances portfolios at the reporting date.

The Group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cashflows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with potential future defaults on the portfolio. These include early arrears and other indicators of potential default, such as changes in macroeconomic conditions and legislation affecting credit recovery. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated-loss emergence period.

Within portfolios, which comprise large numbers of small homogeneous assets with similar risk characteristics where credit-scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on the portfolio, based on historical recovery rates and assumed emergence periods. These statistical analyses use, as primary inputs, the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or client category.

Judgement and knowledge are needed in selecting the statistical methods to be used when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is considered to be reasonable and supportable.

For larger exposures impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cashflows are taken into account. For example, the business prospects for the client, the realisable value of collateral, the Group's position relative to other claimants, the reliability of client information and the likely cost and duration of the workout process. The level of the impairment allowance is the difference between the value of the discounted expected future cashflows (discounted at the loan's original effective-interest-rate) and its carrying amount. Subjective judgements are made in the calculation of future cashflows. Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairments charge.

**(a) Categories of loans and advances**

The following table provides an analysis of the categories of loans and advances that are provided by the Group. The amounts presented in this table are the carrying value of the underlying assets before provisions for impairment:

		<b>(R million)</b>		
	Notes	<b>At 31 December 2017</b>	<b>At 31 December 2016</b>	<b>At 31 December 2015</b>
Home loans		<b>3,310</b>	148,735	146,269
Commercial mortgages		<b>2,603</b>	154,038	139,159
Unsecured retail lending		<b>15,617</b>	37,550	35,551
Other term loans		<b>17</b>	102,866	90,383
Other loans to clients		<b>674</b>	120,361	129,220
Net finance leases and instalment debtors	G1 (e)	–	105,481	99,863
Deposits placed under reverse purchase agreements		–	15,654	20,173
Overdrafts		<b>965</b>	20,047	17,125
Preference shares and debentures		–	20,078	20,698
Credit cards		–	14,870	14,063
Factoring accounts		–	5,010	5,329
Policyholder loans		<b>1,215</b>	4,722	5,492
Properties in possession		–	250	354
Remittances in transit		–	371	201
Trade, other bills and bankers' acceptances		–	14	6
<b>Gross loans and advances</b>		<b>24,401</b>	750,047	723,886
<b>Provisions for impairment</b>		<b>(2,918)</b>	(19,141)	(17,318)
Specific provisions	G1 (d)(ii)	<b>(2,441)</b>	(13,899)	(12,069)
Portfolio provisions	G1 (d)(ii)	<b>(477)</b>	(5,242)	(5,249)
<b>Total net loans and advances</b>		<b>21,483</b>	730,906	706,568

At 31 December 2017, total net loans and advances of R713,287 million attributable to Nedbank and old Mutual Wealth have been transferred to assets held-for-sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G1.1 for more information.

**(a)(i) Loans and advances by sector**

		<b>(R million)</b>		
		<b>At 31 December 2017</b>	<b>At 31 December 2016</b>	<b>At 31 December 2015</b>
Individuals		<b>18,577</b>	291,255	269,347
Financial services, insurance and real estate		<b>257</b>	192,916	184,600
Banks		–	29,773	29,732
Manufacturing		<b>344</b>	37,810	44,017
Building and property development		<b>18</b>	9,376	9,333
Transport, storage and communication		<b>45</b>	42,981	31,101
Retailers, catering and accommodation		–	9,105	21,495
Wholesale and trade		<b>2,615</b>	33,283	30,736
Mining and quarrying		<b>140</b>	27,891	34,364
Agriculture, forestry and fishing		<b>1,149</b>	26,075	6,366
Government and public sector		<b>38</b>	3,477	17,684
Other services		<b>1,218</b>	46,105	45,111
<b>Total gross loans and advances</b>		<b>24,401</b>	750,047	723,886

(a)(iii) Loans and advances geographical analysis

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
South Africa	12,279	656,614	634,643
Rest of Africa	11,867	49,014	48,053
Europe	–	33,829	31,446
Asia	–	6,113	7,074
United States	–	541	936
Other	255	3,936	1,734
<b>Total gross loans and advances</b>	<b>24,401</b>	<b>750,047</b>	<b>723,886</b>

(b) Analysis of loans and advances

Non-performing loans included above had a book value less impairment provisions of R648 million (2016: R12,801 million ; 2015: R13,737 million). Loans and advances are generally classified as non-performing, at a minimum, when the client is three complete months in arrears.

Based on the maturity profile of loans and advances, R8,863 million (2016: R249,357 million; 2015: R244,487 million) is receivable no more than 12 months after the reporting date and is regarded as current. R12,620 million (2016: R481,549 million; 2015: R462,081 million) is receivable more than 12 months after the reporting date and is regarded as non-current.

No impairments have been raised against policyholder loans as they are fully secured by amounts owing to policyholder liabilities.

(c) Credit quality of loans and advances

(i) Age analysis of loans and advances

The table below gives an age analysis of loans and advances representing primarily the exposures of the Group's banking operations:

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2016
Neither past due nor impaired	17,033	698,868	671,886
Past due but not impaired	2,808	22,626	28,883
Past due but less than 1 month	1,507	13,804	17,852
Past due, greater than 1 month but less than 3 months	883	8,566	9,004
Past due, greater than 3 months but less than 6 months	279	23	1,583
Past due, greater than 6 months but less than 1 year	74	82	254
Past due more than 1 year	65	151	190
Impaired loans and advances individually impaired	4,560	28,553	23,117
<b>Gross loans and advances</b>	<b>24,401</b>	<b>750,047</b>	<b>723,886</b>
Provisions for impairment	(2,918)	(19,141)	(17,318)
<b>Total net loans and advances</b>	<b>21,483</b>	<b>730,906</b>	<b>706,568</b>

(ii) **Credit rating analysis of loans neither past due nor impaired**

The credit quality of neither past due nor impaired loans and advances can be further analysed by credit rating as follows:

	(R million)							
	At 31 December 2017				At 31 December 2016			
	Investment grade	Sub-investment grade	Internally rated	Total	Investment grade	Sub-investment grade	Internally rated	Total
Home loans	–	–	2,753	2,753	34,179	90,522	8,480	133,181
Commercial mortgages	–	–	1,971	1,971	76,864	69,858	2,756	149,478
Credit cards	–	–	–	–	1,834	10,542	36	12,412
Overdrafts	–	–	788	788	5,611	10,648	2,048	18,307
Policyholder loans	–	–	1,215	1,215	–	–	4,227	4,227
Other loans to clients <sup>1</sup>	–	–	10,306	10,306	73,891	38,845	13,632	126,368
Preference shares and debentures	–	–	–	–	14,538	2,661	2,880	20,079
Net finance leases and instalment debtors	–	–	–	–	3,412	90,439	2,574	96,425
Factoring accounts	–	–	–	–	609	4,152	–	4,761
Trade, other bills and bankers' acceptances	–	–	–	–	14	–	–	14
Term loans	–	–	–	–	83,603	32,453	1,534	117,590
Remittances in transit	–	–	–	–	26	–	345	371
Deposits placed under reverse purchase agreements	–	–	–	–	10,469	5,186	–	15,655
<b>Gross loans and advances</b>	<b>–</b>	<b>–</b>	<b>17,033</b>	<b>17,033</b>	<b>305,050</b>	<b>355,306</b>	<b>38,512</b>	<b>698,868</b>

1. Other loans to clients include unsecured retail lending, term loans, foreign client lending, preference shares and debentures and other loans.

	(R million)			
	Year ended 31 December 2015			
	Investment grade	Sub-investment grade	Internally rated	Total
Home loans	20,489	103,686	5,124	129,299
Commercial mortgages	60,934	73,111	957	135,002
Credit cards	1,134	10,674	31	11,839
Overdrafts	3,805	10,018	820	14,643
Policyholder loans	–	–	5,101	5,101
Other loans to clients <sup>1</sup>	83,206	39,710	3,772	126,688
Preference shares and debentures	15,084	2,939	2,675	20,698
Net finance leases and instalment debtors	4,272	85,182	2,402	91,856
Factoring accounts	1,026	4,077	–	5,103
Trade, other bills and bankers' acceptances	4	2	–	6
Term loans	71,615	32,442	7,221	111,278
Remittances in transit	3	–	198	201
Deposits placed under reverse purchase agreements	18,550	1,622	–	20,172
<b>Gross loans and advances</b>	<b>280,122</b>	<b>363,463</b>	<b>28,301</b>	<b>671,886</b>

1. Other loans to clients include unsecured retail lending, term loans, foreign client lending, preference shares and debentures and other loans.

The rating scale of the loans and advances is based on local equivalent rating scales and not international scales.

### (iii) **Collateral**

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

At 31 December 2017, the Group recognised collateral of Rnil (2016: R250 million; 2015: R354 million) in the consolidated statement of financial position. These amounts are being included in the loans and advances above as properties in possession.

#### **Financial collateral**

The Group takes financial collateral to support exposures in its banking and securities and lending activities. 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 to securities borrowing and lending activities.

#### **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 takes possession of collateral as full or part settlement of such amounts. 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.

### (d) **Provision for impairments**

This section analyses the provisions raised against loans and advances and the movements during the year.

Specific impairments have been raised against those loans identified as impaired. Portfolio impairments are recognised against loans and advances classified as neither past due nor impaired or past due but not impaired.

(i) **Provision for impairments – analysis of movements**

The tables below reconcile the movement in provision for impairments for the year ended 31 December 2017, 31 December 2016 and year ended 31 December 2015:

	(R million)					
	Year ended 31 December 2017			Year ended 31 December 2016		
	Specific impairment	Portfolio impairment	Total impairment	Specific impairment	Portfolio impairment	Total impairment
Balance at beginning of the year	13,899	5,242	19,141	12,069	5,249	17,318
Acquisitions through business combinations	–	–	–	12	75	87
Impairment charge	5,112	114	5,226	6,737	(95)	6,642
Credit impairment charge <sup>1</sup>	3,888	114	4,002	5,522	(95)	5,427
Recoveries of amounts previously written off	1,224	–	1,224	1,215	–	1,215
Amounts written off against the provision <sup>2</sup>	(9,380)	43	(9,337)	(4,967)	(65)	(5,032)
Foreign exchange and other movements	57	114	171	48	78	126
Transfer to assets and liabilities held-for-sale and distribution <sup>3</sup>	(7,247)	(5,036)	(12,283)	–	–	–
<b>Balance at end of the year</b>	<b>2,441</b>	<b>477</b>	<b>2,918</b>	<b>13,899</b>	<b>5,242</b>	<b>19,141</b>

1. Included in the credit impairment charge are the transfers between specific and portfolio provisions.

2. Of the R9,380 million specific impairment written off against the provision, R4,617 million relates to long outstanding loans in Emerging Markets that were written off as they were deemed to be irrecoverable.

3. Amounts transferred to assets held-for-sale and distribution relate to Nedbank and Old Mutual Wealth that have been classified as held for distribution. Refer to note A4 for more information.

	(R million)		
	Year ended 31 December 2015		
	Specific impairment	Portfolio impairment	Total impairment
Balance at beginning of the period	10,736	4,688	15,424
Impairment charge	6,644	496	7,140
Credit impairment charge <sup>1</sup>	5,507	496	6,003
Recoveries of amounts previously written off	1,137	–	1,137
Amounts written off against the provision	(4,511)	12	(4,499)
Foreign exchange and other movements	(800)	53	(747)
<b>Balance at end of the year</b>	<b>12,069</b>	<b>5,249</b>	<b>17,318</b>

1. Other loans to clients include unsecured retail lending, term loans, foreign client lending, preference shares and debentures and other loans.



(ii) *Impairment of loans and advances – by classification*

	(R million)					
	At 31 December 2017			At 31 December 2016		
	Specific impairment	Portfolio impairment	Total impairment	Specific impairment	Portfolio impairment	Total impairment
Home loans	80	–	80	1,507	628	2,135
Commercial mortgages	62	–	62	570	522	1,092
Properties in possession	–	–	–	33	–	33
Credit cards	–	–	–	1,174	128	1,302
Overdrafts	26	–	26	503	136	639
Other loans to clients <sup>1</sup>	2,273	477	2,750	8,969	2,560	11,529
Net finance lease and instalment debtors	–	–	–	1,143	1,268	2,411
<b>Total provision for impairments</b>	<b>2,441</b>	<b>477</b>	<b>2,918</b>	<b>13,899</b>	<b>5,242</b>	<b>19,141</b>

	(R million)		
	At 31 December 2015		
	Specific impairment	Portfolio impairment	Total impairment
Home loans	1,689	776	2,465
Commercial mortgages	548	502	1,050
Properties in possession	23	–	23
Credit cards	1,027	137	1,164
Overdrafts	411	183	594
Other loans to clients	7,233	2,510	9,743
Net finance lease and instalment debtors	1,138	1,141	2,279
<b>Total provision for impairments</b>	<b>12,069</b>	<b>5,249</b>	<b>17,318</b>

1. Other loans to clients include unsecured retail lending, term loans, foreign client lending, preference shares and debentures and other loans.

(e) **Finance lease and instalment debtors**

The maturity of finance lease and instalment debtors are analysed as follows:

	(R million)					
	Minimum lease payments receivable			Present value of minimum lease payments receivable		
<b>Amounts receivable under finance leases at 31 December</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Within one year	–	34,188	29,359	–	26,897	23,367
In the second to fifth years inclusive	–	89,246	86,086	–	69,522	68,153
After five years	–	11,661	10,551	–	9,062	8,343
	–	135,095	125,996	–	105,481	99,863
Less: unearned finance income	–	(29,614)	(26,133)	–	–	–
<b>Present value of minimum lease payments receivable</b>	<b>–</b>	<b>105,481</b>	<b>99,863</b>	<b>–</b>	<b>105,481</b>	<b>99,863</b>

None of the continuing operations have entered into any finance lease agreements with customers.

### G1.1: Assets held-for-sale and distribution: Loans and advances

#### (a) Categories of loans and advances classified as held-for-sale and distribution

The following table provides an analysis of the categories of loans and advances that are classified as assets held-for-sale and distribution. The amounts presented in this table are the carrying value of the underlying assets before provisions for impairment:

		(R million)
	Notes	At 31 December 2017
Home loans		149,891
Commercial mortgages		161,576
Unsecured retail lending		20,039
Other term loans		98,520
Other loans to clients		103,548
Net finance leases and instalment debtors		112,141
Deposits placed under reverse purchase agreements		17,280
Overdrafts		19,039
Preference shares and debentures		18,654
Credit cards		15,801
Factoring accounts		5,461
Policyholder loans <sup>1</sup>		3,026
Properties in possession		155
Remittances in transit		161
Trade, other bills and bankers' acceptances		17
<b>Gross loans and advances</b>		<b>725,309</b>
<b>Provisions for impairment</b>		<b>(12,022)</b>
Specific provisions	G1.1 (c)(i)	(7,102)
Portfolio provisions	G1.1 (c)(i)	(4,920)
<b>Total net loans and advances</b>		<b>713,287</b>

1. Policyholder loans relate to the Old Mutual Wealth business only

#### (a)(i) Loans and advances classified as held-for-sale and distribution – sector analysis

	(R million)
	At 31 December 2017
Individuals	264,344
Financial services, insurance and real estate	209,787
Banks	20,495
Manufacturing	56,550
Building and property development	9,650
Transport, storage and communication	35,539
Retailers, catering and accommodation	9,453
Wholesale and trade	27,263
Mining and quarrying	28,039
Agriculture, forestry and fishing	5,738
Government and public sector	11,614
Other services	46,837
<b>Total gross loans and advances</b>	<b>725,309</b>

(a)(iii) Loans and advances classified as held-for-sale and distribution – geographical analysis

	(R million)
	At 31 December 2017
South Africa	654,768
Rest of Africa	34,103
Europe	26,432
Asia	7,664
United States	436
Other	1,906
<b>Total gross loans and advances</b>	<b>725,309</b>

(b) Credit quality of loans and advances classified as held-for-sale and distribution

(b)(i) Age analysis of loans and advances classified as held-for-sale and distribution

The table below gives an age analysis of loans and advances, representing primarily the exposures of the banking operations, classified as held-for-sale and distribution:

	(R million)
	At 31 December 2017
Neither past due nor impaired	684,401
Past due but not impaired	21,311
Past due but less than 1 month	4,517
Past due, greater than 1 month but less than 3 months	14,044
Past due, greater than 3 months but less than 6 months	2,039
Past due, greater than 6 months but less than 1 year	83
Past due more than 1 year	628
Impaired loans and advances individually impaired	19,597
<b>Gross loans and advances</b>	<b>725,309</b>
Provisions for impairment	(12,022)
<b>Total net loans and advances</b>	<b>713,287</b>

**(b)(iii) Credit rating analysis of loans and advances classified as held-for-sale and distribution neither past due nor impaired**

The credit quality of loans and advances classified as held-for-sale and distribution that are neither past due nor impaired can be further analysed by credit rating as follows:

	(R million)			
	At 31 December 2017			
	Investment grade	Sub-investment grade	Internally rated	Total
Home loans	63,792	90,158	3,335	157,285
Commercial mortgages	54,944	77,653	2,873	135,470
Credit cards	1,639	11,389	70	13,098
Overdrafts	4,015	11,817	1,382	17,214
Policyholder loans	–	–	3,026	3,026
Other loans to clients	67,466	31,132	3,938	102,536
Preference shares and debentures	15,755	998	1,901	18,654
Net finance leases and instalment debtors	3,478	96,241	2,213	101,932
Factoring accounts	615	4,592	–	5,207
Trade, other bills and bankers' acceptances	–	17	1	18
Term loans	78,565	31,662	2,455	112,682
Deposits placed under reverse purchase agreements	15,433	1,846	–	17,279
<b>Gross loans and advances</b>	<b>305,702</b>	<b>357,505</b>	<b>21,194</b>	<b>684,401</b>

The rating scale of the loans and advances is based on local equivalent rating scales and not international scales.

**(c) Provision for impairments of loans and advances classified as held-for-sale and distribution**

This section analyses the provisions raised against loans and advances.

Specific impairments have been raised against those loans identified as impaired. Portfolio impairments are recognised against loans and advances classified as neither past due nor impaired or past due but not impaired.

**(c)(i) Provision for impairments of loans and advances classified as held-for-sale and distribution – analysis of movements**

The table below reconciles the movement in provision for impairments of loans and advances classified as held-for-sale and distribution for the year ended 31 December 2017:

	(R million)		
	Year ended 31 December 2017		
Year ended 31 December 2017	Specific impairment	Portfolio impairment	Total impairment
Balance at beginning of the period	7,317	4,832	12,149
Impairment charge	4,464	46	4,510
Credit impairment charges	3,240	46	3,286
Recoveries of amounts previously written off	1,224	–	1,224
Amounts written off against the provision	(4,718)	42	(4,676)
Foreign exchange and other movements	39	–	39
<b>Balance at end of the period</b>	<b>7,102</b>	<b>4,920</b>	<b>12,022</b>

(c)((ii) Impairment of loans and advances classified as held-for-sale and distribution – by classification

	(R million)		
	At 31 December 2017		
	Specific impairment	Portfolio impairment	Total impairment
Home loans	962	417	1,379
Commercial mortgages	291	559	850
Properties in possession	21	77	98
Credit cards	1,235	143	1,378
Overdrafts	641	21	662
Other loans to clients	2,719	2,463	5,182
Net finance lease and instalment debtors	1,233	1,240	2,473
<b>Total provision for impairments</b>	<b>7,102</b>	<b>4,920</b>	<b>12,022</b>

G2: Investments and securities

The table below analyses the investments and securities that the Group invests in, either for its own proprietary behalf (shareholder funds) or on behalf of third parties (either policyholder funds or pooled investments):

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
Government and government-guaranteed securities	90,711	134,478	146,643
Other debt securities, preference shares and debentures	90,539	236,885	214,783
Listed	28,177	159,994	149,834
Unlisted	62,362	76,891	64,949
Equity securities	291,408	383,415	391,805
Listed	278,590	357,254	358,745
Unlisted	12,818	26,161	33,060
Pooled investments	176,585	871,941	1,100,890
Listed	108,114	385,912	450,985
Unlisted	68,471	486,029	649,905
Short-term funds and securities treated as investments	68,702	70,076	51,098
Other	4,304	5,310	9,319
<b>Total investments and securities</b>	<b>722,249</b>	<b>1,702,105</b>	<b>1,914,538</b>

At 31 December 2017, total investments and securities of R1,236,927 million attributable to Nedbank and Old Mutual Wealth have been transferred to assets held-for-sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G2.1 for more information.

Investments and securities are regarded as current and non-current assets based on the intention with which the financial assets are held, as well as their contractual maturity profile. Of the amounts shown above, R145,609 million (2016: R1,125,361 million; 2015: R1,343,809 million) is expected to be recoverable within 12 months from the reporting date and R576,640 million (2016: R576,744 million; 2015: R570,729 million) is expected to be recovered more than 12 months from the reporting date.

**(a) Debt instruments and similar securities**

All debt instruments and similar securities are neither past due nor impaired and are analysed in the table below.

These debt instruments and similar securities are classified according to their local credit rating (Standard & Poor's or an equivalent), by investment grade:

	(R million)				
<b>At 31 December 2017</b>	<b>Investment grade (AAA to BBB)</b>	<b>Sub-Investment grade (BB and lower)</b>	<b>Internally rated</b>	<b>Included through consolidation of funds</b>	<b>Total</b>
Government and government-guaranteed securities	68,901	3,098	5,764	12,948	90,711
Other debt securities, preference shares and debentures	48,498	9,870	32,171	–	90,539
Short-term funds and securities	40,138	2,195	8,653	17,716	68,702
Other	1,721	290	1,622	472	4,105
	<b>159,258</b>	<b>15,453</b>	<b>48,210</b>	<b>31,136</b>	<b>254,057</b>

	(R million)				
<b>At 31 December 2016</b>	<b>Investment grade (AAA to BBB)</b>	<b>Sub-investment grade (BB and lower)</b>	<b>Internally rated</b>	<b>Included through consolidation of funds</b>	<b>Total</b>
Government and government-guaranteed securities	106,702	709	2,113	24,954	134,478
Other debt securities, preference shares and debentures	146,611	11,609	44,704	33,961	236,885
Short-term funds and securities	42,393	53	12,931	14,699	70,076
Other	4,611	–	496	203	5,310
	<b>300,317</b>	<b>12,371</b>	<b>60,244</b>	<b>73,817</b>	<b>446,749</b>

	(R million)				
<b>At 31 December 2015</b>	<b>Investment grade (AAA to BBB)</b>	<b>Sub-investment grade (BB and lower)</b>	<b>Internally rated</b>	<b>Included through consolidation of funds</b>	<b>Total</b>
Government and government-guaranteed securities	104,821	746	922	40,154	146,643
Other debt securities, preference shares and debentures	117,048	6,370	59,251	32,114	214,783
Short-term funds and securities	44,976	349	4,990	783	51,098
Other	2,396	–	592	1,303	4,291
	<b>269,241</b>	<b>7,465</b>	<b>65,755</b>	<b>74,354</b>	<b>416,815</b>

**(b) Equity securities**

Equity securities are used for a combination of activities. The majority of the listed securities are traded on well-established exchanges such as the New York Stock Exchange, London Stock Exchange and Johannesburg Stock Exchange.

The Group's holdings of unlisted equity securities arise principally from private equity investment and unlisted investment vehicles.

## G2.1: Assets held-for-sale and distribution – Investments and securities

The table below analyses the investments and securities classified as held-for-sale and distribution at 31 December 2017:

	(R million)
	At 31 December 2017
Government and government-guaranteed securities	73,694
Other debt securities, preference shares and debentures	149,511
Listed	146,482
Unlisted	3,029
Equity securities	219,877
Listed	197,452
Unlisted	22,425
Pooled investments	780,071
Listed	295,354
Unlisted	484,717
Short-term funds and securities treated as investments	7,131
Other	6,643
<b>Total investments and securities</b>	<b>1,236,927</b>

### (a) Debt instruments and similar securities classified as held-for-sale and distribution

All debt instruments and similar securities are neither past due nor impaired and are analysed in the table below.

These debt instruments and similar securities are classified according to their local credit rating (Standard & Poor's or an equivalent), by investment grade:

	(R million)				
At 31 December 2017	Investment grade (AAA to BBB)	Sub- Investment grade (BB and lower)	Internally rated	Included through consolidation of funds	Total
Government and government-guaranteed securities	28,562	7,330	160	37,642	73,694
Other debt securities, preference shares and debentures	103,499	1,995	12,006	32,011	149,511
Short-term funds and securities	7,073	–	58	–	7,131
Other	–	–	–	6,580	6,580
	<b>139,134</b>	<b>9,325</b>	<b>12,224</b>	<b>76,233</b>	<b>236,916</b>

### G3: Securities lending

#### Securities lent

The Group participates in securities lending programmes where securities holdings are lent to third parties. These securities are not derecognised from the consolidated statement of financial position and are retained within the relevant investment classification. Collateral is held in respect of the loaned securities.

The table below represents the amounts lent and the related collateral received within the continuing operations:

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Assets lent under securities lending</b>			
Equity	<b>4,900</b>	7,058	3,351
Debt securities	<b>261</b>	1,011	577
	<b>5,161</b>	8,069	3,928
<b>Amounts received as collateral for securities lending</b>			
Cash	<b>4,795</b>	8,041	2,433
Debt securities	<b>741</b>	578	1,810
	<b>5,536</b>	8,619	4,243

Cash collateral has been recognised in the consolidated statement of financial position with a corresponding liability to return the collateral included in trade, other payables and other liabilities. Of the collateral included in the table above, R741 million (2016: R578 million; 2015: R1,810 million) can be sold or repledged and Rnil (2016: Rnil ; 2015: Rnil) has been sold or repledged.

At 31 December 2017, 31 December 2016 and 31 December 2015, the Group provided cash collateral of R127 million, R168 million and R358 million respectively for security borrowing arrangements.

The businesses classified as held-for-sale and distribution routinely in the normal course of business enter into various forms of securities lending and securities borrowing transactions.

### G4: Derivative financial instruments – assets and liabilities

The Group utilises derivative instruments for both economic and trading purposes. Economic hedging occurs when a derivative financial instrument is taken out for the management of financial risk. Only where the accounting treatment results in a profit or loss volatility will the Group undertake hedge accounting. The derivative instruments become in-the-money or out-of-the-money as a result of fluctuations in market interest rates, foreign exchange rates or asset prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are in-the-money or out-of-the-money and, therefore, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The Group undertakes transactions involving derivative financial instruments with other financial institutions. Management has established limits commensurate with the credit quality of the institutions with which it deals and manages the resulting exposures such that a default by any individual counterparty is unlikely to have a materially adverse impact on the Group.



The following table provides a detailed breakdown of the Group's derivative financial instruments outstanding at year-end. These instruments allow the Group and its customers to transfer, modify or reduce their credit, equity market, foreign exchange and interest rate risks:

	(R million)					
	Derivative financial instruments					
	Assets			Liabilities		
At 31 December	2017	2016	2015	2017	2016	2015
Equity derivatives	453	617	843	70	483	532
Options written	-	-	-	-	128	333
Options purchased	453	519	500	-	-	-
Futures	-	98	343	70	355	199
Exchange rate contracts	298	9,235	19,033	-	7,442	19,402
Forwards	11	5,717	11,499	-	4,146	11,427
Swaps	287	3,147	7,332	-	2,823	7,836
Options purchased	-	236	184	-	-	-
Futures	-	135	18	-	141	9
Options written	-	-	-	-	332	130
Interest rate contracts	3,128	11,678	18,513	4,419	10,327	24,578
Swaps	3,128	11,238	18,113	4,419	9,758	24,079
Forward rate agreements	-	199	329	-	110	348
Options purchased	-	4	-	-	-	-
Options written	-	-	-	-	120	-
Futures	-	232	68	-	333	126
Caps	-	5	3	-	6	25
Credit default swaps	-	147	1,016	-	67	466
Other derivatives	222	160	108	9	11	158
Derivatives included through consolidation of funds	-	882	30,686	-	1,351	30,546
<b>Total</b>	<b>4,101</b>	<b>22,719</b>	<b>70,199</b>	<b>4,498</b>	<b>19,681</b>	<b>75,682</b>

The undiscounted contractual maturities of the cash flows of the derivative liabilities held are as follows:

	(R million)					
Derivative financial liabilities	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
At 31 December 2017	4,498	158	365	1,877	5,957	8,357
At 31 December 2016	19,681	2,272	4,697	4,924	11,551	23,444
At 31 December 2015	75,682	30,297	13,212	13,219	37,036	93,764

At 31 December 2017, total derivative financial assets of R30,863 million and total derivative financial liabilities of R30,061 million attributable to Nedbank and Old Mutual Wealth have been transferred to assets and liabilities held-for-sale and distribution respectively in the consolidated statement of financial position. Refer to note A4 and note G4.1 for more information.

**G4.1: Assets and liabilities held-for-sale and distribution – Derivative financial instruments**

The following table analyses the derivative assets and derivative liabilities classified as held-for-sale and distribution at 31 December 2017:

	(R million)	
	Assets	Liabilities
Equity derivatives	558	1,203
Options written	–	750
Options purchased	424	–
Futures	134	453
Exchange rate contracts	14,894	11,341
Forwards	8,886	6,833
Swaps	5,091	3,825
Options purchased	884	–
Futures	33	116
Options written	–	567
Interest rate contracts	13,804	10,232
Swaps	12,616	9,494
Forward rate agreements	840	504
Options purchased	264	–
Futures	68	222
Caps	16	12
Credit default swaps	157	35
Derivatives included through consolidation of funds <sup>1</sup>	1,450	7,250
<b>Total</b>	<b>30,863</b>	<b>30,061</b>

The undiscounted contractual maturities of the cash flows of the derivative liabilities are as follows:

	(R million)					
Derivative financial liabilities	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
<b>At 31 December 2017</b>	<b>30,061</b>	<b>12,398</b>	<b>5,471</b>	<b>5,384</b>	<b>6,808</b>	<b>30,061</b>

1. The investment funds consolidated by the Group may enter into a variety of derivative contracts as mandated by the fund mandates and rules.

## G5: Hedge accounting

### (a) Net investment hedges

The Group uses a combination of currency swaps, forward foreign exchange contracts and debt raised in the currency of the exposure to mitigate the translation effect of holding overseas companies. The following table summarises the Group's open positions with respect to financial instruments utilised for net investment hedging purposes. There was no ineffectiveness in respect of the net investment hedges during the year ended 31 December 2017, the year ended 31 December 2016 and the year ended 31 December 2015.

The table below sets out the notional amounts of derivative contracts used as hedging instruments:

	(R million)					
	At 31 December 2017			At 31 December 2016		
	USD	ZAR	EUR	USD	ZAR	EUR
<b>Open positions</b>						
Forward contracts	905	50	–	1,848	2,306	3,374
Currency swaps	–	–	–	2,509	–	–
	905	50	–	4,357	2,306	3,374

	(R million)		
	At 31 December 2015		
	USD	ZAR	EUR
<b>Open positions</b>			
Forward contracts	1,803	1,666	–
Currency swaps	2,875	–	–
	4,678	1,666	–

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Fair value of financial instruments designated as net investment hedges</b>			
ZAR forward foreign exchange contracts	–	(136)	114
EUR forward foreign exchange contracts	–	(85)	–
USD forward foreign exchange contracts	17	(271)	(23)
USD cross currency swap	–	(560)	(46)
	17	(1,052)	45

The ZAR and USD forward exchange contracts are designated as hedges against foreign currency risk in respect of the Group's investments in its South African and Bermudan operations.

### (b) Accounting for other economic hedges (fair value through profit or loss – designated)

Old Mutual plc has designated R5,714 million (£341 million) fixed-rate debt as fair value through profit or loss in order to reduce an accounting mismatch. The mismatch that this reduces is the fair value movements on the R5,714 million (£341 million) of interest rate swaps. The changes in the value of the swaps, which are recognised as derivative financial instruments, are recognised in profit or loss. These derivative instruments change the interest profile of the fixed-rate debt into a variable coupon, with changes through profit or loss.

## **G6: Insurance and investment contracts**

### **Life assurance**

#### **Classification of contracts**

Life assurance contracts are categorised into insurance contracts, contracts with a discretionary participation feature or investment contracts, in accordance with the classification criteria set out in the paragraphs below.

For the Group's unit-linked assurance business, contracts are separated into an insurance component and an investment component (known as unbundling) and each unbundled component is accounted for separately in accordance with the accounting policy for that component. The treatment of these types of contracts as separate components (unbundling), only occurs when there is a small or insignificant insurance risk in the contract. Other kinds of contracts are considered and categorised as a whole.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is risk other than financial risk. Contracts accounted for as insurance contracts include life assurance contracts and savings contracts providing more than an insignificant amount of life assurance protection.

Financial risks are the risks of a possible future change in one or more of an interest rate, security price, security index, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract.

Contracts with discretionary participating features are those under which the policyholder holds a contractual right to receive additional payments as a supplement to guaranteed minimum payments. These additional payments, the amount and timing of which is at the Group's discretion, represent a significant portion of the total contractual payments. These are contractually based on (i) the performance of a specified pool of contracts or a specified type of contract, (ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group or (iii) the profit or loss of the Group. Investment contracts with discretionary participating features, which have no life assurance protection in the policy terms, are accounted for in the same manner as insurance contracts.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant (or there is no transfer of insurance risk) and where there is no discretionary participation are classified as investment contracts. Such contracts include unit-linked savings and/or investment contracts sold without life assurance protection and are classified as financial instruments.

#### **Premiums on life assurance**

Premiums and annuity considerations receivable under insurance contracts and investment contracts with a discretionary participating feature are stated gross of commission and exclude taxes and levies. Premiums in respect of unit-linked insurance contracts are recognised when the liability is established. Premiums in respect of other insurance contracts and investment contracts with a discretionary participating feature are recognised when due for payment.

#### **Outward reinsurance premiums are recognised when due for payment.**

Amounts received under investment contracts, other than those with a discretionary participating feature and unit-linked assurance contracts are not recorded through profit or loss, except for fee income and investment income attributable to those contracts, but are accounted for directly through the consolidated statement of financial position as an adjustment to investment contract liabilities.

#### **Claims paid on life assurance**

Claims paid under insurance contracts and investment contracts with a discretionary participating feature include maturities, annuities, surrenders, death and disability payments.

Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders are accounted for in profit or loss when notified.

Reinsurance recoveries in profit or loss are recognised in profit or loss in the same period as the related claim.

Amounts paid under investment contracts other than those with a discretionary participating feature and unit-linked assurance contracts are recorded as reductions of the investment contract liabilities.

#### **Life Insurance contract liabilities**

Life insurance contract liabilities for African businesses are computed using a gross premium valuation method. Provisions in respect of African business are made in accordance with the Financial Soundness Valuation basis as set out in the guidelines issued by the Actuarial Society of South Africa in Standard of Actuarial Practice (SAP) 104 (2012). Under these guidelines, provisions are valued using realistic expectations of future experience, with margins for prudence and deferral of profit emergence.

Provisions for investment contracts with a discretionary participating feature are also computed using the gross premium valuation method in accordance with the Financial Soundness Valuation basis. Surplus allocated to policyholders but not yet distributed related to these contracts is included as part of life assurance policyholder liabilities as discretionary margins.

Reserves for immediate annuities and other guaranteed payments are computed on the prospective deposit method, which produces reserves equal to the present value of future benefit payments.

For other territories, the valuation bases adopted are in accordance with local actuarial practices and methodologies.

Derivative instruments embedded in a life insurance contract are not separated and measured at fair value if the embedded derivative itself qualifies for recognition as a life insurance contract. In this case the entire contract is measured as described above.

The Group performs liability adequacy testing at a business unit level on its insurance liabilities to ensure that the carrying amount of its liabilities (less related deferred acquisition costs and intangible assets) is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount to the carrying value of the liability at discount rates appropriate to the business in question. Where a shortfall is identified, an additional provision is made by increasing the liability held. The provision assumptions and estimation techniques are periodically reviewed, with any changes in estimates reflected in profit or loss as they occur.

Whilst the directors consider that the gross life insurance contract liabilities and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided.

In respect of the South Africa life assurance, shadow accounting is applied to life insurance contract liabilities where the underlying measurement of the policyholder liability depends directly on the value of owner-occupied property and the unrealised gains and losses on such property, which are recognised in other comprehensive income. The shadow accounting adjustment to life insurance contract liabilities is recognised in other comprehensive income to the extent that the unrealised gains or losses on owner-occupied property backing life insurance contract liabilities are also recognised directly in other comprehensive income.

Financial guarantee contracts, issued in insurance contracts are recognised as part of the overall measurement of insurance contracts. Liability adequacy testing is performed to ensure that the carrying amount of the liability for financial guarantee contracts is sufficient.

### **Investment contract liabilities**

Investment contract liabilities in respect of the Group's business other than unit-linked business are recorded at amortised cost unless they are designated at fair value through profit or loss in order to eliminate or significantly reduce a measurement or recognition inconsistency, for example where the corresponding assets are recorded at fair value through profit or loss.

Investment contract liabilities in respect of the Group's unit-linked business are recorded at fair value. For such liabilities, including the deposit component of unbundled unit-linked assurance contracts, fair value is calculated as the account balance, which is the value of the units allocated to the policyholder, based on the bid price of the assets in the underlying fund (adjusted for tax).

Investment contract liabilities measured at fair value are subject to a "deposit floor" such that the liability established cannot be less than the amount repayable on demand.

### **Acquisition costs**

Acquisition costs for insurance contracts comprise all direct and indirect costs arising from the sale of insurance contracts.

As the gross premium valuation method used in African territories to determine insurance contract liabilities makes implicit allowance for the deferral of acquisition costs, no explicit deferred acquisition cost asset is recognised in the consolidated statement of financial position for the contracts issued in these areas.

Deferral of costs on insurance business in other territories is limited to the extent that they are deemed recoverable from available future margins.

### **Costs incurred in acquiring investment management service contracts**

Incremental costs that are directly attributable to securing an investment management service contract are recognised as an asset if they can be identified separately and measured reliably and it is probable that they will be recovered. Deferred acquisition costs represent the contractual right to benefit from providing investment management services and are amortised as the related revenue is recognised. Costs attributable to investment management service contracts in the asset management businesses are also recognised on this basis.

### **Revenue on investment management service contracts**

Fees charged for investment management services provided in conjunction with an investment contract are recognised as revenue as the services are provided. Initial fees, which exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the anticipated period in which services will be provided. Fees charged for investment management service contracts by asset management businesses are also recognised on this basis.

### **Property & casualty**

Contracts under which the Group accepts significant insurance risk from another party and which are not classified as life insurance are classified as property & casualty. All classes of property & casualty business are accounted for on an annual basis.

### **Premiums on property & casualty**

Premiums are stated gross of commissions, exclude taxes and levies and are accounted for in the period in which the risk commences. The proportion of the premiums written relating to periods of risk after the reporting date is carried forward to subsequent accounting periods as unearned premiums as a liability, so that earned premiums relate to risks carried during the accounting period.

### **Claims on property & casualty**

Claims incurred, which are recognised in profit or loss, comprise the settlement and handling costs of paid and outstanding claims arising during the year and adjustments to prior year claim provisions. Outstanding claims comprise claims incurred up to, but not paid, at the end of the accounting period, whether reported or not.

Outstanding claims do not include any provision for possible future claims where the claims arise under contracts not in existence at the reporting date.

The Group performs liability adequacy testing at a business unit level on its claim liabilities to ensure that the carrying amount of its liabilities (less related deferred acquisition costs and the unearned premium reserve) is sufficient in view of estimated future undiscounted cash flows.

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events, and may result in significant adjustments to the amount provided. Adjustments to the amounts of claims provisions established in prior years are reflected in profit or loss in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used and estimates made are reviewed regularly.

### **Acquisition costs on property & casualty**

Acquisition costs, which represent commission and other related expenses, are deferred and amortised over the period in which the related general insurance premiums are earned.

### **Reinsurance**

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For property & casualty business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in reinsurance assets.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the insurance liabilities held in respect of the related insurance contracts. Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

## Critical accounting estimates and judgements – Policyholder liabilities

### Emerging Markets Financial Soundness Valuation discount rate

The calculation of the Group's South African life assurance contract liabilities is sensitive to the discount rate used to value the liabilities. The methodology applied by the Group requires discount rates to be set according to the South African professional guidance note (SAP 104). In line with these principles, the reference rate is selected as the Bond Exchange of South Africa (BESA) bond 10-year yield.

The reference rate was relatively volatile over 2017, ranging from 8.5% to 9.8% (2016: 8.6% to 10.0%; 2015: 7.1% to 10.6%). At 31 December 2017, the reference discount rate was 9.0% (2016: 9.1%; 2015: 9.9%). The volatile interest rate environment continued to have a negligible impact on the operating profit for the South African life assurance businesses during 2017, given the continuance of the hedging program and discretionary margins put in place to mitigate these impacts.

The Group estimates that a 1% reduction in the reference discount rate would result in an increase in insurance contract liabilities and a decrease in profit after tax as at 31 December 2017 of R154 million (2016: R51 million; 2015: Rnil), allowing for the mitigating impacts of the hedging programme and discretionary margins in place. This is due to further management actions to reduce the impact of volatile interest rates on profit in 2017.

### Emerging Markets discretionary reserves

Technical provisions in South Africa are determined as the aggregate of:

- Best estimate liabilities, with assumptions allowing for the best estimate of future experience and a market-consistent valuation of financial options and guarantee;
- Compulsory margins, prescribed in terms of the Long Term Insurance Act, 1998 and South African professional actuarial guidance note (SAP 104) as explicit changes to actuarial assumptions that increase the level of technical provisions held; and
- Discretionary margins, permitted by the Long Term Insurance Act, 1998 and SAP 104, to allow for the uncertainty inherent in estimates of future experience after considering available options of managing that experience over time, or to defer the release of profits consistent with policy design or company practice.

Discretionary margins are held as either implicit or explicit margins. Explicit discretionary margins are derived as conscious changes to assumptions used to project future experience to increase technical provisions. Implicit discretionary margins arise where the method used to calculate overall technical provisions results in liabilities that are greater than the sum of best estimate liabilities and compulsory margins.

Explicit discretionary margins of R8,021 million (1.4% of total technical provisions) were held at 31 December 2017 (2016: R7,823 million, 1.5% of total technical provisions; 2015: R8,602 million, 1.7% of total technical provisions). This consisted largely of:

- Margins held for Mass Foundation Cluster protection business, which allow for the uncertainty related to mortality experience in South Africa, as well as future lapse experience and future investment returns, and to ensure that profit is released appropriately over the term of the policies;
- Margins to allow for the uncertainty inherent in the assumptions used to value financial options and guarantees, implied volatility assumptions in particular, which are difficult to hedge due to the short term nature of the equity option market in South Africa;
- Margins on non-profit annuities, due to the inability to fully match assets to liabilities as a result of the limited availability of long-dated bonds, and to provide for longevity risk; and
- Margins for the uncertainty inherent in future economic assumptions used to calculate, mainly protection product liabilities, in the Retail Affluent and Mass Foundation Cluster businesses. Although interest rate hedging is used to manage interest rate risk on these products, the volatility of bond yields in South Africa means that it is difficult to maintain appropriate hedging positions without incurring significant trading costs. The discretionary margin therefore caters for the residual uncertainty present after allowing for the hedge programme that is in place.

## Critical accounting estimates and judgements – Policyholder liabilities

### Old Mutual Bermuda guarantees

Old Mutual Bermuda no longer owns any underlying policies or manages any policyholder funds. The Guaranteed Minimum Accumulation Benefits (GMAB) risk on the remaining active variable annuity contracts is to be retained until the last GMAB policy with a Universal Guarantee Option (UGO) rider passes its 10-year anniversary, which will be no later than August 2018. All remaining business operations, subject to regulatory approvals, are expected to be substantially wound down by 31 December 2018.

Almost all of the remaining GMAB risk relates to policies sold with UGOs. Products sold with a Capital Guarantee Option (CGO) GMAB, a product predecessor to the UGO, hold less onerous guarantees and do not give rise to significant risk.

The GMAB UGOs guarantee policyholders a return of 120% of invested premiums and, subject to policyholder election, also a Highest Anniversary Value (HAV) guarantee. These guarantees crystallise on the 10-year anniversary of policies, the remainder of which will be reached in 2018. The market risk attached to the UGO guarantees, and relating to equity and foreign exchange downside risks, is currently being managed by OTM quanto put options which covered circa 102% of the remaining equity and foreign exchange UGO GMAB exposures as at 31 December 2017. This slightly over-hedged position was mainly due to the higher than expected lapses in 2017.

GMAB reserves have decreased from R1,428 million (\$104 million) at 31 December 2016 to R149 million (\$12 million) at 31 December 2017, a decrease of R1,279 million (\$92 million), mainly due to the expiration of GMAB guarantees and favourable equity and foreign exchange markets in 2017.

If the Group were to stress the underlying assets and liabilities, by adding 10% to the current level of volatility, it would increase the underlying assets by R34 million and increase the value of the liability by R17 million, which would result in a net profit for the Group of circa R17 million.

If the Group were to stress the underlying assets and liabilities, by decreasing the current level of volatility by 10%, it would decrease the underlying assets by R34 million and decrease the value of the liability by R17 million, which would result in a net loss for the Group of R17 million.



(a) **Policyholder liabilities**

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

	(R million)					
	At 31 December 2017			At 31 December 2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Life assurance policyholder liabilities</b>						
<b>Total life insurance contracts liabilities</b>	<b>159,514</b>	<b>(563)</b>	<b>158,951</b>	169,243	(6,080)	163,163
Life insurance contracts liabilities	<b>157,151</b>	<b>(563)</b>	<b>156,588</b>	166,908	(5,860)	161,048
Outstanding claims	<b>2,363</b>	–	<b>2,363</b>	2,335	(220)	2,115
<b>Investment contract liabilities</b>	<b>481,589</b>	–	<b>481,589</b>	1,315,695	(43,420)	1,272,275
Unit-linked investment contracts and similar contracts	<b>286,957</b>	–	<b>286,957</b>	1,128,248	(43,420)	1,084,828
Other investment contracts	<b>1,207</b>	–	<b>1,207</b>	16,484	–	16,484
Investment contracts with discretionary participating features	<b>193,425</b>	–	<b>193,425</b>	170,963	–	170,963
<b>Total life assurance policyholder liabilities</b>	<b>641,103</b>	<b>(563)</b>	<b>640,540</b>	1,484,938	(49,500)	1,435,438
<b>Property &amp; casualty liabilities</b>						
Claims incurred but not reported	<b>1,317</b>	<b>(320)</b>	<b>997</b>	1,232	(238)	994
Unearned premiums	<b>2,599</b>	<b>(1,185)</b>	<b>1,414</b>	2,768	(1,284)	1,484
Outstanding claims	<b>4,369</b>	<b>(2,152)</b>	<b>2,217</b>	4,181	(1,802)	2,379
<b>Total property &amp; casualty liabilities</b>	<b>8,285</b>	<b>(3,657)</b>	<b>4,628</b>	8,181	(3,324)	4,857
<b>Total policyholder liabilities</b>	<b>649,388</b>	<b>(4,220)</b>	<b>645,168</b>	1,493,119	(52,824)	1,440,295

	(R million)		
	At 31 December 2015		
	Gross	Reinsurance	Net
<b>Life assurance policyholder liabilities</b>			
<b>Life insurance contracts liabilities</b>	176,034	(4,890)	171,144
Life insurance contracts liabilities	173,818	(4,712)	169,106
Outstanding claims	2,216	(178)	2,038
<b>Investment contract liabilities</b>	1,548,299	(53,139)	1,495,160
Unit-linked investment contracts and similar contracts	1,372,939	(53,139)	1,319,800
Other investment contracts	13,683	–	13,683
Investment contracts with discretionary participating features	161,677	–	161,677
<b>Total life assurance policyholder liabilities</b>	1,724,333	(58,029)	1,666,304
<b>Property &amp; casualty liabilities</b>			
Claims incurred but not reported	863	(224)	639
Unearned premiums	2,742	(1,311)	1,431
Outstanding claims	4,183	(1,150)	3,033
<b>Total property &amp; casualty liabilities</b>	7,788	(2,685)	5,103
<b>Total policyholder liabilities</b>	1,732,121	(60,714)	1,671,407

At 31 December 2017, total gross policyholder liabilities of R1,019,562 million and total reinsurance share of policyholder liabilities of R48,817 million attributable to Nedbank and Old Mutual Wealth have been transferred to liabilities held-for-sale and distribution and assets held-for-sale and distribution respectively in the consolidated statement of financial position. Refer to note A4 and note G6.1 for more information.

Of the R4,220 million (2016: R52,824 million; 2015: R60,714 million) included in reinsurer's share of life assurance policyholder and property & casualty liabilities is an amount of R3,223 million (2016: R49,492 million; 2015: R57,959 million) which is recoverable within 12 months from the reporting date. The remainder is recoverable more than 12 months from the reporting date.

(b) **Insurance contracts**

Movements in the amounts outstanding in respect of life assurance policyholder liabilities, other than outstanding claims, are set out below:

	(R million)					
	At 31 December 2017			At 31 December 2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Balance at beginning of the year</b>	<b>166,908</b>	<b>(5,860)</b>	<b>161,048</b>	173,818	(4,712)	169,106
<b>Income</b>						
Premium income	32,471	(1,635)	30,836	32,572	(1,755)	30,817
Investment income	17,870	–	17,870	13,513	–	13,513
Other income	17	–	17	57	–	57
<b>Expenses</b>						
Claims and policy benefits	(32,788)	1,356	(31,432)	(33,341)	1,136	(32,205)
Operating expenses	(9,761)	–	(9,761)	(9,332)	–	(9,332)
Currency translation (gain)/loss	(753)	116	(637)	(3,188)	1,366	(1,822)
Other charges and transfers	446	(1,543)	(1,097)	199	(2,299)	(2,100)
Taxation	(412)	–	(412)	(192)	–	(192)
Transfer to operating profit	(6,531)	632	(5,899)	(7,011)	404	(6,607)
Transfer to liabilities held-for-sale and distribution <sup>1</sup>	(10,316)	6,371	(3,945)	(187)	–	(187)
<b>Balance at end of the year</b>	<b>157,151</b>	<b>(563)</b>	<b>156,588</b>	166,908	(5,860)	161,048

	R million		
	At 31 December 2015		
	Gross	Reinsurance	Net
<b>Balance at beginning of the year</b>	186,614	(2,766)	183,848
<b>Income</b>			
Premium income	33,482	(1,222)	32,260
Investment income	10,633	–	10,633
Other income	20	–	20
<b>Expenses</b>			
Claims and policy benefits	(29,583)	1,203	(28,380)
Operating expenses	(8,892)	–	(8,892)
Disposal of interests in subsidiaries	(11,792)	1	(11,791)
Currency translation (gain)/loss	3,627	(789)	2,838
Other charges and transfers	(3,402)	(1,098)	(4,500)
Taxation	149	–	149
Transfer to operating profit	(7,038)	(41)	(7,079)
<b>Balance at end of the year</b>	173,818	(4,712)	169,106

1. Amounts transferred to liabilities held-for-sale and distribution at 31 December 2017 relate to Nedbank and Old Mutual Wealth that have been classified as held distribution. Amounts transferred to liabilities held-for-sale and distribution at 31 December 2016 relate to the disposal of Old Mutual Wealth Italy. Refer to note A2 and A4 for more information.

**(c) Unit-linked investment contracts and similar contracts, and other investment contracts**

	<b>R million</b>		
	<b>At 31 December 2017</b>	<b>At 31 December 2016</b>	<b>At 31 December 2015</b>
Balance at beginning of the year	<b>1,144,732</b>	1,386,622	1,096,147
Contributions received	<b>219,547</b>	201,285	204,108
Maturities	<b>(5,097)</b>	(4,858)	(5,989)
Withdrawals and surrenders	<b>(142,636)</b>	(147,102)	(157,662)
Disposal of interests in subsidiaries	<b>–</b>	–	(15,447)
Fair value movements	<b>108,204</b>	125,501	39,460
Foreign exchange and other movements	<b>(27,491)</b>	(299,517)	226,005
Transfer to liabilities held-for-sale and distribution <sup>1</sup>	<b>(1,009,095)</b>	(117,199)	–
<b>Balance at end of the year</b>	<b>288,164</b>	<b>1,144,732</b>	<b>1,386,622</b>

1. Amounts transferred to liabilities held-for-sale at 31 December 2017 relate to Nedbank and Old Mutual Wealth that have been classified as held distribution. Amounts transferred to liabilities held-for-sale and distribution at 31 December 2016 relate to the disposal of Old Mutual Wealth Italy. Refer to note A2 and A4 for more information.

**(d) Discretionary participating investment contracts**

Discretionary participating investment contracts relate to the continuing operations only. None of the businesses classified as held-for-sale and distribution have issued any discretionary participating investment contracts.

	<b>R million</b>		
	<b>At 31 December 2017</b>	<b>At 31 December 2016</b>	<b>At 31 December 2015</b>
<b>Balance at beginning of the year</b>	<b>170,963</b>	161,677	142,850
<b>Income</b>			
Premium income	<b>28,219</b>	30,386	23,834
Investment and other income	<b>26,006</b>	7,287	12,995
Other income	<b>119</b>	–	–
<b>Expenses</b>			
Claims and policy benefits	<b>(25,457)</b>	(23,323)	(18,987)
Operating expenses	<b>(1,170)</b>	(1,108)	(1,127)
Other charges and transfers	<b>(1,266)</b>	(120)	1,116
Taxation	<b>(197)</b>	(48)	(171)
Currency translation (gains)/losses	<b>(1,850)</b>	(1,874)	2,779
<b>Transfer to operating profit</b>	<b>(1,942)</b>	(1,914)	(1,612)
<b>Balance at end of the year</b>	<b>193,425</b>	<b>170,963</b>	<b>161,677</b>

**(e) Contractual maturity analysis**

The following table shows a maturity analysis of liability cash flows based on contractual maturity dates for investment contract liabilities and discretionary participating financial instruments, and expected claim dates for insurance contracts. Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies. Although these liabilities are payable on demand, and are therefore included in the contractual maturity analysis as due in less than three months and more than three months less than one year, the Group does not expect all these amounts to be paid out within one year of the reporting date.

The undiscounted cash flows of discretionary participating investment contracts only include amounts vested or to be vested, while their carrying amount include reserves that are payable at the discretion of the Group.

The Group acknowledges that for property & casualty the unearned premium provision, which will be recognised as earned premium in the future, will most likely not lead to claim cash outflows equal to this provision. The Group has estimated the potential claim outflows that may be associated with this unearned premium.

(R million)						
	Undiscounted cash flows					Total
	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	
<b>At 31 December 2017</b>						
<b>Life assurance policyholder liabilities</b>						
<b>Total life insurance contracts</b>	159,514	12,030	19,803	100,922	337,898	470,653
Life insurance contract liabilities	157,151	9,667	19,803	100,922	337,898	468,290
Outstanding claims	2,363	2,363	–	–	–	2,363
<b>Investment contract liabilities</b>	481,589	413,724	573	1,971	83,461	499,729
Unit-linked investment contracts and similar contracts	286,957	212,715	214	1,142	80,241	294,312
Other investment contracts	1,207	1,308	278	677	49	2,312
Investment contracts with discretionary participating features	193,425	199,701	81	152	3,171	203,105
<b>Total life assurance policyholder liabilities</b>	641,103	425,754	20,376	102,893	421,359	970,382
<b>Property &amp; casualty liabilities</b>						
Claims incurred but not reported	1,317	239	673	297	115	1,324
Unearned premiums	2,599	1,190	634	556	243	2,623
Outstanding claims	4,369	2,385	945	920	133	4,383
<b>Total property &amp; casualty liabilities</b>	8,285	3,814	2,252	1,773	491	8,330
<b>Total policyholder liabilities</b>	649,388	429,568	22,628	104,666	421,850	978,712

(R million)						
At 31 December 2016	Undiscounted cash flows					Total
	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	
<b>Life assurance policyholder liabilities</b>						
Total life insurance contracts	169,243	12,749	21,859	105,845	363,611	504,064
Life insurance contract liabilities	166,908	10,405	21,859	105,844	363,611	501,719
Outstanding claims	2,335	2,344	–	1	–	2,345
<b>Investment contract liabilities</b>	1,315,695	1,289,634	696	3,240	32,242	1,325,812
Unit-linked investment contracts and similar contracts	1,128,248	1,099,230	301	2,097	29,490	1,131,118
Other investment contracts	16,484	16,587	274	833	60	17,754
Discretionary participating investment contracts	170,963	173,817	121	310	2,692	176,940
<b>Total life assurance policyholder liabilities</b>	1,484,938	1,302,383	22,555	109,085	395,853	1,829,876
<b>Property &amp; casualty liabilities</b>						
Claims incurred but not reported	1,232	555	286	256	135	1,232
Unearned premiums	2,768	572	1,098	796	301	2,767
Outstanding claims	4,181	2,062	1,091	887	141	4,181
<b>Total property &amp; casualty liabilities</b>	8,181	3,189	2,475	1,939	577	8,180
<b>Total policyholder liabilities</b>	1,493,119	1,305,572	25,030	111,024	396,430	1,838,056

	(R million)					
	Undiscounted cash flows					
At 31 December 2015	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
<b>Life assurance policyholder liabilities</b>						
<b>Total life insurance contracts</b>	176,034	10,539	18,862	97,749	366,827	493,977
Life insurance contract liabilities	173,818	8,325	18,862	97,744	366,827	491,758
Outstanding claims	2,216	2,214	–	5	–	2,219
<b>Investment contract liabilities</b>	1,548,299	1,538,075	12,021	1,538	1,029	1,552,663
Unit-linked investment contracts and similar contracts	1,372,939	1,365,445	11,785	–	–	1,377,230
Other investment contracts	13,683	11,843	236	1,538	1,029	14,646
Investment contracts with discretionary participating features	161,677	160,787	–	–	–	160,787
<b>Total life assurance policyholder liabilities</b>	1,724,333	1,548,614	30,883	99,287	367,856	2,046,640
<b>Property &amp; casualty liabilities</b>						
Claims incurred but not reported	863	423	357	129	–	909
Unearned premiums	2,742	429	962	1,952	–	3,343
Outstanding claims	4,183	1,691	1,000	1,744	–	4,435
<b>Total property &amp; casualty liabilities</b>	7,788	2,543	2,319	3,825	–	8,687
<b>Total policyholder liabilities</b>	1,732,121	1,551,157	33,202	103,112	367,856	2,055,327



(f) **Sensitivity analysis – life assurance**

Changes in key assumptions used to value insurance contracts would result in increases or decreases to the insurance contract provisions recorded, with impact on profit/(loss) and/or shareholders' equity. The effect of a change in assumption is mitigated by the offset (partial or full) to the bonus stabilisation reserve in the case of smoothed bonus products in South Africa.

The tables below demonstrate the effect of a change in a key assumption to policyholder liabilities while other assumptions remain unchanged:

		%	(R million)	
			Change	Emerging Markets
<b>At 31 December 2017</b>				
<b>Assumption</b>				
Mortality and morbidity rates – assurance		10		5,211
Mortality rates – annuities		(10)		1,005
Discontinuance rates		10		117
Expenses (maintenance)		10		1,106
		%	(R million)	(R million)
			Change	Emerging Markets
<b>At 31 December 2016</b>				
<b>Assumption</b>				
Mortality and morbidity rates – assurance		10	5,358	34
Mortality rates – annuities		(10)	949	–
Discontinuance rates		10	102	(34)
Expenses maintenance		10	1,102	34
		%	(R million)	(R million)
			Change	Emerging Markets
<b>At 31 December 2015</b>				
<b>Assumption</b>				
Mortality and morbidity rates – assurance		10	4,837	46
Mortality rates – annuities		(10)	867	–
Discontinuance rates		10	(23)	(23)
Expenses maintenance		10	1,072	68
		%	(R million)	(R million)
			Change	Emerging Markets
<b>At 31 December 2015</b>				
<b>Assumption</b>				
Mortality and morbidity rates – assurance		10	4,837	46
Mortality rates – annuities		(10)	867	–
Discontinuance rates		10	(23)	(23)
Expenses maintenance		10	1,072	68

**Emerging Markets**

The changes in insurance contract liabilities shown are calculated using the specified increase or decrease to the rates, with no change in charges paid by policyholders.

The insurance contract liabilities recorded for the Emerging Market business are also impacted by the valuation discount rate assumed. Lowering this rate by 1% (with a corresponding reduction in the valuation inflation rate assumption) would result in an increase for insurance contract liabilities and a reduction in net profit after tax of R154 million (2016: R60 million; 2015: R39 million). This impact is calculated with no change in charges paid by policyholders. The impact in 2017 remains small due to management actions taken to reduce the impact of changing interest rates on operating profit.

It should be noted that where the assets and liabilities of a product are closely matched (e.g. non-profit annuity business) or where the impact of a lower valuation discount rate is hedged or partially hedged, the net effect has been shown since the asset movement fully or partially offsets the liability movement.

**Old Mutual Bermuda**

Post the sale of Old Mutual (Bermuda) Limited (renamed Beechwood OMNIA on 30 June 2016) on 31 December 2015, the Group does not own any underlying policies or manage policyholder funds. Beechwood OMNIA, was renamed (OMNIA) effective 29 June 2017, shortly before it was sold to Eli Global ("Global Bankers") on 30 June 2017. The Group continues to provide (re)insurance coverage to OMNIA in connection with the Guaranteed Minimum Accumulation Benefit (GMAB) guarantees embedded within certain OMNIA policies.

Lapses and partial withdrawals of the underlying (re)insured policies have the largest impact where increased activity reduces the guarantee since less living benefit exposure is expected in the future. Mortality plays a much smaller part in Bermuda since the reinsured business is a minimum guaranteed accumulation benefit. Increased deaths likewise reduce future guarantees; however, the effect is negligible due to the short term nature of the benefit. Additionally in the calculation of insurance contract liabilities for 2017, provision was made for projected claims management expenses. As such expense level also has an impact on Old Mutual Bermuda's insurance liabilities.

This reinsurance will extend through to the final GMAB maturity in August 2018.

**(g) Sensitivity analysis – property & casualty**

An increase of 10% in the average cost of claims would require the recognition of an additional loss after tax of R850 million (2016: R576 million; 2015: R548 million) net of reinsurance. Similarly, an increase of 10% in the ultimate number of claims would result in an additional loss of R850 million (2016: R576 million; 2015: R548 million) net of reinsurance.

The majority of the Group's property & casualty contracts are classified as "short-tailed", meaning that any claim is settled within a year after the loss date. This contrasts with the 'long-tailed' classes where the claims cost take longer to materialise and settle. The Group's property & casualty long-tailed business is generally limited to accident, third party motor, liability and some engineering classes. In total the long-tail business comprises less than five per cent of an average year's claim costs.

**(h) Reinsurance assets – credit risk**

None of the Group's reinsurance assets are either past due or impaired. Of the reinsurance assets shown in the consolidated statement of financial position all are considered investment grade with the exception of R1,453 million of unrated exposures (2016: R3,205 million; 2015: R4,084 million). Collateral is not taken against reinsurance assets or deposits held with reinsurers other than in limited circumstances.

**G6.1: Liabilities held-for-sale and distribution – Insurance and investment contracts**

	(R million)		
<b>At 31 December 2017</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
<b>Life assurance policyholder liabilities</b>			
<b>Total life insurance contract liabilities</b>	<b>10,467</b>	<b>(6,502)</b>	<b>3,965</b>
Life insurance contract liabilities	10,316	(6,371)	3,945
Outstanding claims	151	(131)	20
<b>Investment contract liabilities</b>	<b>1,009,095</b>	<b>(42,315)</b>	<b>966,780</b>
Unit-linked investment contracts and similar contracts	990,961	(42,315)	948,646
Other investment contracts	18,134	–	18,134
<b>Total policyholder liabilities</b>	<b>1,019,562</b>	<b>(48,817)</b>	<b>970,745</b>

The reinsurers' share of unit-linked investment contracts and similar contracts of R42,315 million relate to investment contracts in Old Mutual Wealth where the direct management of assets are ceded to a third party through a reinsurance arrangement. Due to the nature of the arrangement, there is no transfer of insurance risk.

G7: Borrowed funds

(R million)				
At 31 December 2017				
Types of securities	Notes	Old Mutual plc	Emerging Markets	Total
Senior debt securities and term loans		–	3,537	3,537
Term loans	G7(a)(iii)	–	3,537	3,537
Revolving credit facilities	G7(b)	–	1,115	1,115
Subordinated debt securities	G7(d)	7,720	6,494	14,214
<b>Total borrowed funds</b>		<b>7,720</b>	<b>11,146</b>	<b>18,866</b>

At 31 December 2017, total borrowed funds of R50,792 million attributable to Nedbank have been transferred to liabilities held-for-sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G7.1 for more information.

(R million)					
At 31 December 2016					
Types of securities	Notes	Old Mutual plc	Emerging Markets	Nedbank	Total
Senior debt securities and term loans	G7(a)	–	4,867	35,400	40,267
Floating rate notes	G7(a)(i)	–	–	17,733	17,733
Fixed rate notes	G7(a)(ii)	–	–	17,667	17,667
Term loans	G7(a)(iii)	–	4,867	–	4,867
Revolving credit facilities	G7(b)	–	576	–	576
Mortgage-backed securities	G7(c)	–	–	2,594	2,594
Subordinated debt securities	G7(d)	17,243	5,900	13,005	36,148
<b>Total borrowed funds</b>		<b>17,243</b>	<b>11,343</b>	<b>50,999</b>	<b>79,585</b>

At 31 December 2016, Institutional Asset Management was classified as held-for-sale. As a result total borrowed funds of R5,409 million were transferred to liabilities held-for-sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

(R million)						
At 31 December 2015						
Type of securities	Notes	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management <sup>1</sup>	Total
Senior debt securities and term loans		2,556	4,518	30,371	–	37,445
Floating rate notes	G7(a)(i)	–	–	13,029	–	13,029
Fixed rate notes	G7(a)(ii)	2,556	–	17,342	–	19,898
Term loans	G7(a)(iii)	–	4,518	–	–	4,518
Revolving credit facilities	G7(b)	–	–	–	1,394	1,394
Mortgage-backed securities	G7(c)	–	–	2,221	–	2,221
Subordinated debt securities	G7(d)	22,499	5,727	11,127	–	39,353
<b>Total borrowed funds</b>		<b>25,055</b>	<b>10,245</b>	<b>43,719</b>	<b>1,394</b>	<b>80,413</b>

### Maturity analysis

The table below provides the maturity profile of the anticipated future cash flows, based on contractual maturity dates for borrowed funds, including interest. It is presented on an undiscounted basis, and will therefore, differ from both the carrying value and fair value of borrowed funds:

(R million)					
	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2017
Less than 1 year	537	704	–	–	1,241
Greater than 1 year and less than 5 years	7,176	3,301	–	–	10,477
Greater than 5 years	1,260	10,221	–	–	11,481
<b>Total non-banking</b>	<b>8,973</b>	<b>14,226</b>	<b>–</b>	<b>–</b>	<b>23,199</b>
Less than 1 year	–	1,273	–	–	1,273
Greater than 1 year and less than 5 years	–	3,636	–	–	3,636
Greater than 5 years	–	101	–	–	101
<b>Total banking</b>	<b>–</b>	<b>5,010</b>	<b>–</b>	<b>–</b>	<b>5,010</b>
<b>Total</b>	<b>8,973</b>	<b>19,236</b>	<b>–</b>	<b>–</b>	<b>28,209</b>

(R million)					
	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2016
Less than 1 year	1,272	1,000	–	–	2,272
Greater than 1 year and less than 5 years	13,259	3,984	–	–	17,243
Greater than 5 years	10,037	10,410	–	–	20,447
<b>Total non-banking</b>	<b>24,568</b>	<b>15,394</b>	<b>–</b>	<b>–</b>	<b>39,962</b>
Less than 1 year	–	1,950	6,273	–	8,223
Greater than 1 year and less than 5 years	–	2,001	26,908	–	28,909
Greater than 5 years	–	85	18,907	–	18,992
<b>Total banking</b>	<b>–</b>	<b>4,036</b>	<b>52,088</b>	<b>–</b>	<b>56,124</b>
<b>Total</b>	<b>24,568</b>	<b>19,430</b>	<b>52,088</b>	<b>–</b>	<b>96,086</b>

	(R million)				
	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2015
Less than 1 year	4,472	1,141	–	46	5,659
Greater than 1 year and less than 5 years	6,891	3,081	–	1,506	11,478
Greater than 5 years	26,173	11,249	–	–	37,422
<b>Total non-banking</b>	<b>37,536</b>	<b>15,471</b>	<b>–</b>	<b>1,552</b>	<b>54,559</b>
Less than 1 year	–	342	14,010	–	14,352
Greater than 1 year and less than 5 years	–	3,788	28,203	–	31,991
Greater than 5 years	–	388	22,202	–	22,590
<b>Total banking</b>	<b>–</b>	<b>4,518</b>	<b>64,415</b>	<b>–</b>	<b>68,933</b>
<b>Total</b>	<b>37,536</b>	<b>19,989</b>	<b>64,415</b>	<b>1,552</b>	<b>123,492</b>

### Interest rate profile

The interest rate profiles of the Group's borrowed funds are analysed as follows:

	(R million)				
At 31 December 2017	Old Mutual plc <sup>1</sup>	Emerging Markets	Nedbank	Institutional Asset Management	Total
Fixed rate	7,720	4,424	–	–	12,144
Floating rate	–	6,722	–	–	6,722
<b>Total</b>	<b>7,720</b>	<b>11,146</b>	<b>–</b>	<b>–</b>	<b>18,866</b>

	(R million)				
At 31 December 2016	Old Mutual plc <sup>1</sup>	Emerging Markets	Nedbank	Institutional Asset Management	Total
Fixed rate	17,243	4,715	17,667	–	39,625
Floating rate	–	6,628	33,332	–	39,960
<b>Total</b>	<b>17,243</b>	<b>11,343</b>	<b>50,999</b>	<b>–</b>	<b>79,585</b>

	(R million)				
At 31 December 2015	Old Mutual plc <sup>1</sup>	Emerging Markets	Nedbank	Institutional Asset Management	Total
Fixed rate	25,055	4,974	17,343	–	47,372
Floating rate	–	5,271	26,376	1,394	33,041
<b>Total</b>	<b>25,055</b>	<b>10,245</b>	<b>43,719</b>	<b>1,394</b>	<b>80,413</b>

1. Old Mutual plc has cross currency interest rate swaps related to R5,714 million (£341 million) Tier 2 debt. Old Mutual plc receives fixed interest and pays floating interest. These instruments are designated as fair value through profit or loss.

## Currency exposure

The currency exposures of the Group's borrowed funds are analysed as follows:

	(R million)				
	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2017
ZAR	–	10,006	–	–	10,006
GBP	7,720	–	–	–	7,720
USD	–	486	–	–	486
Other	–	654	–	–	654
<b>Total</b>	<b>7,720</b>	<b>11,146</b>	<b>–</b>	<b>–</b>	<b>18,866</b>

	(R million)				
	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2016
ZAR	–	8,885	50,999	–	59,884
GBP	17,243	–	–	–	17,243
USD	–	1,712	–	–	1,712
Other	–	746	–	–	746
<b>Total</b>	<b>17,243</b>	<b>11,343</b>	<b>50,999</b>	<b>–</b>	<b>79,585</b>

	(R million)				
	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	At 31 December 2015
ZAR	–	8,123	42,145	–	50,268
GBP	25,055	–	–	–	25,055
USD	–	1,255	1,574	1,394	4,223
Other	–	867	–	–	867
<b>Total</b>	<b>25,055</b>	<b>10,245</b>	<b>43,719</b>	<b>1,394</b>	<b>80,413</b>

## Analysis of security types

### (a) Senior debt securities and term loans

#### (i) Floating rate notes (net of Group holdings)

		(R million)		
	Maturity date	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Banking – Nedbank Floating rate unsecured senior debt</b>				
R677 million at JIBAR plus 1.25%	Repaid	–	–	685
R3,056 million at JIBAR plus 0.80%	Repaid	–	–	3,080
R694 million at JIBAR plus 0.75%	Repaid	–	–	707
R405 million at JIBAR plus 1.30%	Repaid	–	373	411
R1,035 million at JIBAR plus 0.85%	Repaid	–	1,034	1,027
R806 million at JIBAR plus 0.90%	June 2017	–	814	799
R786 million at JIBAR plus 1.30%	August 2017	–	458	707
R241 million at JIBAR plus 1.12%	November 2017	–	237	251
R472 million at JIBAR plus 1.25%	February 2018	–	475	479
R1,427 million at JIBAR plus 1.30%	June 2018	–	1,441	1,438
R1,427 million at JIBAR plus 1.45%	February 2019	–	1,441	–
R1,472 million at JIBAR plus 1.45%	May 2019	–	2,526	–
R612 million at JIBAR plus 1.40%	August 2019	–	627	–
R90 million at JIBAR plus 1.45%	February 2020	–	85	91
R80 million at JIBAR plus 2.15%	April 2020	–	85	91
R476 million at JIBAR plus 1.55%	November 2020	–	475	479
R830 million at JIBAR plus 1.80%	February 2021	–	831	–
R1,054 million at JIBAR plus 1.80%	May 2021	–	1,492	–
R650 million at JIBAR plus 1.30%	June 2021	–	644	662
R287 million at JIBAR plus 1.75%	August 2021	–	288	–
R12 million at JIBAR plus 1.55%	February 2022	–	17	23
R270 million at JIBAR plus 2.00%	February 2023	–	271	–
R528 million at JIBAR plus 2.00%	May 2023	–	543	–
R1,980 million at JIBAR plus 2.00%	February 2025	–	1,999	2,008
R500 million at JIBAR plus 2.10%	April 2026	–	509	502
R750 million at JIBAR plus 2.25%	May 2026	–	763	–
R302 million at JIBAR plus 2.20%	July 2026	–	305	–
<b>Total floating rate notes</b>		–	17,733	13,440
Less: floating rate notes held by other Group companies		–	–	(411)
<b>Total net floating rate notes</b>		–	17,733	13,029

At 31 December 2017, total net floating rate notes of R17,207 million attributable to Nedbank have been transferred to liabilities held-for-sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G7.1 for more information.

(ii) **Fixed rate notes (net of Group holdings)**

		(R million)		
	<b>Maturity date</b>	<b>At 31 December 2017</b>	<b>At 31 December 2016</b>	<b>At 31 December 2015</b>
<b>Non-banking – Old Mutual plc</b>				
£112 million at 7.13%	Repaid	–	–	2,556
<b>Total non-banking fixed rate unsecured senior debt</b>		<b>–</b>	<b>–</b>	<b>2,556</b>
<b>Banking – Nedbank Fixed rate unsecured senior debt</b>				
R1,137 million at 9.36%	Repaid	–	–	1,164
R151 million at 6.91%	Repaid	–	–	160
R1,273 million at 11.39%	September 2019	–	1,356	1,369
R380 million at 9.26%	June 2020	–	390	388
R1,888 million at 8.92%	November 2020	–	1,899	1,894
R855 million at 9.38%	March 2021	–	882	867
R417 million at 10.68%	May 2021	–	424	–
R500 million at 9.29%	June 2021	–	509	502
R215 million at 8.79%	February 2022	–	220	228
R280 million at 9.64%	June 2022	–	288	274
R250 million at 10.66%	February 2023	–	254	–
R334 million at 10.01%	August 2023	–	356	–
R952 million at 10.07%	November 2023	–	966	958
R391 million at 9.73%	March 2024	–	407	411
R660 million at zero coupon	October 2024	–	305	251
R2,607 million at 9.44%	February 2025	–	2,696	2,693
R884 million at 10.69%	November 2025	–	899	890
R800 million at 9.95%	April 2026	–	814	821
R360 million at 11.15%	May 2026	–	373	–
R1,739 million at 10.36%	June 2026	–	1,746	1,757
R423 million at 10.50%	July 2026	–	441	–
R2,000 million at 10.63%	July 2027	–	2,102	2,099
R666 million at 10.94%	November 2027	–	678	685
<b>Total banking fixed rate unsecured senior debt</b>		<b>–</b>	<b>18,005</b>	<b>17,411</b>
Less: Fixed rate notes held by other Group companies		–	(338)	(69)
<b>Total net fixed rate notes</b>		<b>–</b>	<b>17,667</b>	<b>19,898</b>

At 31 December 2017, total net fixed rate notes of R18,546 million attributable to Nedbank have been transferred to liabilities held-for-sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G7.1 for more information.



## (iii) Term loans

		(R million)		
	Maturity date	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Emerging Markets Floating rate loans</b>				
\$7 million at 3 month LIBOR plus 7.50% <sup>2</sup>	Repaid	–	–	114
\$5 million at 3 month LIBOR plus 7.50% <sup>2</sup>	Repaid	–	–	68
\$5 million at 3 month LIBOR plus 7.50% <sup>2</sup>	Repaid	–	–	68
KES451 million at KBRR <sup>1,3</sup>	Repaid	–	–	68
KES450 million at GOK4 182 days TB plus 2.50% <sup>1</sup>	Repaid	–	51	–
\$65 million at 3 month JIBAR plus 2.80% <sup>2,7</sup>	Repaid	–	933	–
KES954 million at KBRR3 plus 3.78% <sup>1</sup>	Repaid	–	119	–
R800 million at JIBAR plus 2.75% <sup>1</sup>	July 2018	804	797	799
R1,500 million at JIBAR plus 2.75% <sup>1</sup>	July 2020	1,502	1,594	1,598
KES750 million at CBR5 plus 2.50% <sup>1</sup>	August 2020	84	–	–
R66 million at 3 month JIBAR plus 5.50% <sup>2</sup>	March 2021	50	–	–
	September			
\$31 million at 3 month LIBOR plus 3.50% <sup>2</sup>	2021	385	424	–
R50 million at 3 month JIBAR plus 5.50% <sup>2</sup>	July 2022	34	–	–
	November			
KES750 million rate at GOK <sup>1,4</sup>	2022	84	17	–
<b>Emerging Markets Fixed rate loans</b>				
KES1,000 million at 12.50% <sup>2</sup>	Repaid	–	–	160
KES225 million at 11.70% <sup>1</sup>	Repaid	–	–	23
KES150 million at 5.00% <sup>1</sup>	Repaid	–	–	23
\$2 million at 8.24% <sup>1</sup>	Repaid	–	34	68
\$3 million at 8.72% <sup>1</sup>	Repaid	–	85	205
\$3 million at 8.31% <sup>1</sup>	Repaid	–	85	114
KES101 million at 13.00% <sup>1</sup>	June 2018	17	17	–
KES102 million at 13.50% <sup>1</sup>	June 2018	17	17	–
KES607 million at 12.50% <sup>1</sup>	December 2018	67	85	–
\$10 million at 8.31% <sup>1</sup>	April 2019	50	34	–
KES2,000m at 13.00% <sup>2</sup>	July 2019	251	288	298
KES412 million at 11.50% <sup>1</sup>	May 2020	50	51	68
KES1,183 million at 9.20% <sup>1</sup>	August 2020	67	68	183
\$10 million at 8.57% <sup>1</sup>	October 2020	134	–	–
KES200 million at 5.00% <sup>1</sup>	July 2022	17	34	46
\$20 million at 8.75% <sup>2</sup>	August 2022	34	203	251
	September			
\$5 million at 13.00% <sup>1</sup>	2022	34	51	68
\$5 million at 6.50% <sup>2</sup>	June 2023	50	51	68
\$5 million at 6.50% <sup>2</sup>	June 2023	50	51	68
\$6 million at 6.50% <sup>2</sup>	June 2023	50	85	–
\$10 million at 12.00% <sup>1</sup>	December 2023	84	119	160
<b>Total term loans and other loan</b>		<b>3,915</b>	<b>5,293</b>	<b>4,518</b>

	(R million)		
Maturity date	At 31 December 2017	At 31 December 2016	At 31 December 2015
Less: Term loans held by other Group companies	(378)	(426)	–
<b>Total net term loans and other loans</b>	<b>3,537</b>	4,867	4,518
<b>Total term and other loans are further analysed as:</b>			
Banking	<b>3,011</b>	3,258	3,355
Non-banking	<b>904</b>	2,035	1,163
<b>Total term loans and other loans<sup>5</sup></b>	<b>3,915</b>	5,293	4,518

1. Banking term and other loans
2. Non-banking and other loans
3. Kenya Bank's Reference Rate
4. Government of Kenya
5. Central Bank Rate
6. Emerging Market term loan facilities totalling R984 million (\$74 million) in value, with R705 million (\$53 million) drawn, were identified as being in breach of covenant at 31 December 2017. These breaches were not considered to threaten the availability of these facilities. At 9 March 2018, waivers had been received from borrowers with facilities of R519 million (\$39 million) and drawn amounts of R425 million (\$32 million). The resolution of all other breaches is expected to conclude by 31 March 2018.
7. During the year this loan has been evaluated and classified as other liabilities as it does not relate to corporate borrowing. Comparative information has not been restated as it is not deemed to be material to the consolidated statement of financial position.

**(b) Revolving credit facilities**

		(R million)		
	Maturity date	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Non-banking</b>				
Institutional Asset Management – Fully undrawn \$350 million facility at USD LIBOR plus 1.25% (31 December 2015: \$90 million)	October 2019	–	–	1,394
Emerging Markets – R3,125 million facility at 3 month JIBAR plus 1.60%	February 2019	–	273	–
<b>Banking</b>				
Emerging Markets – R2,200 million facility at 3 month JIBAR plus 2.95%	July 2019	<b>975</b>	303	–
N\$200 million at prime overdraft rate less 1%	November 2020	<b>140</b>	–	–
<b>Total revolving credit facilities</b>		<b>1,115</b>	<b>576</b>	<b>1,394</b>

The Group has access to a R12,802 million (£764 million) (2016: R12,954 million (£764 million); 2015: R18,255 million (£800 million)) multi-currency revolving credit facility available to the Company. R1,223 million (£73 million) of this facility matures in August 2019, a further R1,223 million (£73 million) matures in August 2020 and the remaining R10,959 million (£654 million) matures in August 2021. At 31 December 2017 this facility was undrawn.

In July 2015, Emerging Markets obtained access to a R1,200 million revolving credit facility. In July 2017 the facility has been increased to R2,200 million and its maturity extended to July 2019. At 31 December 2017 R975 million of this facility was drawn (2016: R300 million; 2015: Fully undrawn).

In December 2015, Emerging Markets obtained access to a R3,125 million revolving credit facility which matures in January 2019 with an option to renew for a further year. At 31 December 2017, this facility was undrawn (2016: R260 million; 2015: Fully undrawn).

In March 2017, Emerging Markets obtained access to an unsecured revolving credit facility from Standard Bank Namibia Limited of N\$200 million. The facility bears interest at the prime overdraft rate less 1% which is repayable monthly. A commitment fee of 0.95% is payable monthly on any undrawn capital. The capital is repayable on 24 November 2020.

Certain revolving credit facility arrangements may include guarantees by other subsidiary companies which, in the case of non-performance by the borrower, may limit the amount of distribution the guarantor declares to its parent.

**(c) Mortgage-backed securities (net of Group holdings)**

						(R million)
	Tier	Maturity date	At 31 December 2017	At 31 December 2016	At 31 December 2015	
<b>Banking – Nedbank</b>						
R161 million (class A2) at JIBAR plus 1.25%	Tier 2	Repaid	–	–	160	
R900 million (class A3) at JIBAR plus 1.54%	Tier 2	October 2039	–	848	913	
R110 million (class B) at JIBAR plus 1.90%	Tier 2	October 2039	–	119	114	
R600 million JIBAR plus 1.34%	Tier 2	January 2028	–	509	–	
R300 million JIBAR plus 1.54%	Tier 2	January 2028	–	271	–	
R558 million at JIBAR plus 1.20%	Tier 2	February 2042	–	322	548	
R100 million at JIBAR plus 1.45%	Tier 2	February 2042	–	102	91	
R680 million at JIBAR plus 1.55%	Tier 2	February 2042	–	678	685	
R80 million at JIBAR plus 2.20%	Tier 2	February 2042	–	85	91	
R65 million at JIBAR plus 3.00%	Tier 2	February 2042	–	68	68	
			–	3,002	2,670	
Less: Mortgage-backed securities held by other Group companies			–	(408)	(449)	
<b>Total net mortgage-backed securities</b>			–	2,594	2,221	

At 31 December 2017, total net mortgage-backed securities of R 2,531 million attributable to Nedbank have been transferred to liabilities held-for-sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G7.1 for more information.

**(d) Subordinated debt securities (net of Group holdings)**

						(R million)
	Tier	Maturity date	At 31 December 2017	At 31 December 2016	At 31 December 2015	
<b>Non-banking – Old Mutual plc</b>						
£341 million at 8.00%; (2016: £500 million at 8.00%) <sup>1</sup>	Tier 2	June 2021	<b>6,698</b>	9,647	12,231	
£61 million at 7.88%; (2016: £450 million at 7.88%) <sup>1</sup>	Tier 2	November 2025	<b>1,022</b>	7,596	10,268	
			<b>7,720</b>	17,243	22,499	
<b>Non-banking – Emerging Markets</b>						
R300 million at 9.26%	Tier 2	November 2024	<b>302</b>	288	274	
R700 million at 3 month JIBAR plus 2.20%	Tier 2	November 2024	<b>704</b>	695	707	
R537 million at 3 month JIBAR plus 2.30%	Tier 2	March 2025	<b>536</b>	543	548	
R425 million at 9.76%	Tier 2	March 2025	<b>419</b>	424	388	
R1,288 million at 3 month JIBAR plus 2.25%	Tier 2	September 2025	<b>1,307</b>	1,289	1,301	
R409 million at 10.32%	Tier 2	March 2027	<b>402</b>	390	365	
R568 million at 10.90%	Tier 2	September 2027	<b>578</b>	560	525	
R1,150 million at 10.96%	Tier 2	March 2030	<b>1,123</b>	1,101	1,049	
R623 million at 11.35%	Tier 2	September 2030	<b>620</b>	610	570	

					(R million)
	Tier	Maturity date	At 31 December 2017	At 31 December 2016	At 31 December 2015
R500 million at 3 Month JIBAR plus 2.09% <sup>2</sup>	Tier 2	November 2027	503	–	–
			6,494	5,900	5,727
<b>Banking – Nedbank</b>					
\$100 million at 3 month USD LIBOR	Tier 2				
	(secondary)	March 2022	–	1,373	1,574
R2,000 million at JIBAR plus 0.47%	Tier 2	July 2022	–	2,035	2,031
R1,800 million at JIBAR plus 2.75%	Tier 2	July 2023	–	1,831	1,825
		November 2023	–	1,204	1,209
R1,200 million at JIBAR plus 2.55%	Tier 2	April 2024	–	458	456
R450 million at JIBAR plus 10.49%	Tier 2	April 2024	–	1,780	1,780
		October 2024	–	305	297
R300 million at JIBAR plus 2.75%	Tier 2	January 2025	–	237	228
R225 million at JIBAR plus 2.75%	Tier 2	July 2025	–	1,662	1,666
R1,624 million at JIBAR plus 3.5%	Tier 2	July 2025	–	424	434
R407 million at 11.29%	Tier 2	September 2026	–	2,001	–
		–	13,310	11,500	
Less: Banking subordinated debt securities held by other Group companies	–	(305)	(373)		
		–	13,005	11,127	
<b>Total net subordinated debt securities</b>		14,214	36,148	39,353	

1. On 24 November 2017, Old Mutual plc repurchased R6,671 million (£389 million) of its outstanding R7,717 million (£450 million) 7.875 per cent subordinated debt securities (Tier 2 subordinated 2025 securities) and R2,728 million (£159 million) of its outstanding R8,574 million (£500 million) 8 per cent subordinated debt securities (Tier 2 subordinated 2021 securities) through tender offers. All repurchased securities were cancelled on 24 November 2017. Following cancellation of these securities, the aggregate principal amounts outstanding of the R7,717 million (£450 million) securities was R1,043 million (£61 million) and the aggregate principal amount outstanding of £500 million securities was R5,846 million (£341 million).
2. On 20 November 2017, Old Mutual Insure issued R500 million Unsecured Subordinated Callable Floating Rate Notes under its R1 billion Unsecured Subordinated Callable Note Programme dated 13 November 2017. Interest is payable at a floating rate of 3 Month JIBAR plus 209 bps on 22 February, 22 May, 22 August and 22 November each year until 22 November 2022. From this date, the floating rate increases to 3 Month JIBAR plus 313.5 bps until the final maturity date of 22 November 2027. The first interest payment date is 20 February 2018.
3. All callable subordinated debt securities have a first call date five years before the maturity date.

At 31 December 2017, total subordinated debt securities of R 12,508 million attributable to Nedbank have been transferred to liabilities held-for-sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G7.1 for more information.

(e) Reconciliation of borrowed funds arising from financing activities

	(R million)
	At 31 December 2017
Balance at beginning of the year	36,148
Changes from financing cash flows	(9,407)
Proceeds from issue of new borrowed funds	3,220
Redemption of Borrowed funds	(12,627)
Non-cash changes	(12,527)
Fair value changes	(139)
Effect of changes in foreign exchange rates	119
Transfer to liabilities held-for-sale and distribution	(12,507)
Balance at end of the year	14,214

G7.1: Liabilities held-for-sale and distribution – Borrowed funds

The table below summarises the Group's borrowed funds classified within liabilities held-for-sale and distribution as at 31 December 2017. All amounts disclosed relate to the Nedbank segment and banking business.

	(R million)
	At 31 December 2017
Type of security	
Senior debt securities and term loans <sup>1</sup>	35,753
Floating rate notes	17,207
Fixed rate notes	18,546
Term and other loan	–
Revolving credit facilities	–
Mortgage-backed securities <sup>2</sup>	2,531
Subordinated debt securities <sup>3</sup>	12,508
Total Borrowed funds	50,792

During 2017, five senior debt securities and term loans were repaid and four senior debt securities and term loans were issued. A sum of R618 million was issued with a fixed interest-rate of 9.60%, repayable on 20 February 2024. A sum of R2.9 billion was issued with variable-interest-rates ranging between JIBAR plus 1.29% to 1.50%, repayable by 26 February 2024.

During 2017, seven mortgage-backed securities were repaid and seven securitised liabilities were issued. A sum of R1,340 million was issued at floating interest rates ranging between JIBAR plus 1.05% to 2.70%. These instruments are repayable by 20 February 2022.

During 2017, two subordinated debt securities were repaid and two subordinated debt instruments were issued. A sum of R100 million was issued at a fixed interest rate of 10.82%, which is repayable 31 July 2029. In addition, a sum of R100 million was issued at a variable interest rate of JIBAR plus 2.45%, which is repayable on 2 August 2027. Two Basel III subordinated debt securities were also issued. A sum of R2.5 billion was issued with variable rates ranging between JIBAR plus 3.75% to 3.80%. These instruments are redeemable by 26 May 2022.

**G8: Amounts owed to bank depositors**

In the Group's banking business the Group receives cash from bank depositors. The depositors receive interest on the amounts owed depending on the value of the amount borrowed and the terms of the deposit.

The table below provides the maturity profile of the anticipated future cash flows, based on contractual maturity dates for amounts owed to bank depositors, including interest. It is presented on an undiscounted basis, and will therefore, differ from the carrying amount of amounts owed to bank depositors:

(R million)						
<b>At 31 December 2017</b>	<b>Carrying amount</b>	<b>Less than 3 months</b>	<b>More than 3 months less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Savings deposits	2,172	1,190	538	38	415	2,181
Negotiable certificates of deposit	10,268	9,835	1,628	1,107	–	12,570
<b>Amounts owed to bank depositors</b>	<b>12,440</b>	<b>11,025</b>	<b>2,166</b>	<b>1,145</b>	<b>415</b>	<b>14,751</b>

(R million)						
<b>At 31 December 2016</b>	<b>Carrying amount</b>	<b>Less than 3 months</b>	<b>More than 3 months less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Current accounts	79,372	78,598	640	4	–	79,242
Savings deposits	30,071	30,015	5	53	131	30,204
Other deposits and loan accounts	540,796	413,201	88,754	46,009	9,055	557,019
Negotiable certificates of deposit	98,582	27,671	57,411	25,270	1,305	111,657
Deposits received under repurchase agreements	19,402	19,419	–	–	–	19,419
<b>Amounts owed to bank depositors</b>	<b>768,223</b>	<b>568,904</b>	<b>146,810</b>	<b>71,336</b>	<b>10,491</b>	<b>797,541</b>

(R million)						
<b>At 31 December 2015</b>	<b>Carrying amount</b>	<b>Less than 3 months</b>	<b>More than 3 months less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Current accounts	72,930	72,932	–	–	–	72,932
Savings deposits	30,773	30,542	59	123	49	30,773
Other deposits and loan accounts	526,877	395,592	76,735	52,571	11,135	536,033
Negotiable certificates of deposit	91,538	24,174	49,257	26,173	79	99,683
Deposits received under repurchase agreements	15,531	15,543	–	–	–	15,543

						(R million)
At 31 December 2015	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
<b>Amounts owed to bank depositors</b>	<b>737,649</b>	<b>538,783</b>	<b>126,051</b>	<b>78,867</b>	<b>11,263</b>	<b>754,964</b>

At 31 December 2017, amounts owed to bank depositors of R766,877 million attributable to Nedbank have been transferred to liabilities held-for-sale and distribution in the consolidated statement of financial position. Refer to note A4 and note G8.1 for more information.

#### G8.1: Liabilities held-for-sale and distribution – Amounts owed to bank depositors

The table below provides the maturity profile of the anticipated future cash flows, based on contractual maturity dates for amounts owed to bank depositors, including interest. It relates to amount owed to bank depositors classified as liabilities held-for-sale and distribution at 31 December 2017 and is presented on an undiscounted basis that will therefore, differ from the carrying amount of amounts owed to bank depositors:

						(R million)
At 31 December 2017	Carrying amount	Less than 3 months	More than 3 months less than 1 year	Between 1 and 5 years	More than 5 years	Total
Current accounts	80,841	80,843	–	–	–	80,843
Savings deposits	30,657	30,583	19	56	–	30,658
Other deposits and loan accounts	553,049	420,042	98,301	46,945	7,661	572,949
Negotiable certificates of deposit	77,525	17,856	49,316	18,871	–	86,043
Deposits received under repurchase agreements <sup>1</sup>	24,805	24,824	–	–	–	24,824
<b>Amounts owed to bank depositors</b>	<b>766,877</b>	<b>574,148</b>	<b>147,636</b>	<b>65,872</b>	<b>7,661</b>	<b>795,317</b>

1. The Group, through its South African banking business Nedbank, has pledged debt securities and negotiable certificates of deposit amounting to R29,516 million (2016: R19,162 million) as collateral for deposits received under re-purchase agreements. These amounts represent assets that have been transferred but do not qualify for derecognition under IAS 39. These transactions are entered into under terms and conditions that are standard industry practice for securities borrowing and lending activities.

## H: **Non-financial assets and liabilities**

All non-financial assets and liabilities notes which require a movement analysis will include the information for all items, including movements in assets and liabilities classified as held-for-sale or distribution for the year. Therefore, the amounts reflected in the movement tables will not agree to the consolidated income statement amounts presented as the results of the discontinued operations are recognised on a single line in the consolidated income statement. At the end of the movement analysis, a single line item will indicate the value of the assets or liabilities that have been transferred to assets and liabilities held-for-sale or distribution.

Consistent with the requirements of accounting standards, comparative periods have not been re-presented for non-financial assets and liabilities classified as held-for-sale and distribution. The comparative information presented at 31 December 2017 therefore includes the non-financial assets and liabilities for the composition of the Group as at 31 December 2016.

## H1: **Goodwill and other intangible assets**

Goodwill arises on the acquisition of a business and represents the premium of the amount paid over the fair value of identifiable assets and liabilities. Goodwill is not amortised but is subject to annual impairment reviews. Other intangible assets include those assets which were initially recognised on a business combination and software development costs related to amounts recognised for in-house systems development.

### (a) **Goodwill and goodwill impairment**

Goodwill arising on the acquisition of a subsidiary undertaking is recognised as an asset at the date that control is achieved (the acquisition date). Goodwill is measured as the excess of the fair value of the consideration paid over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any), this excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is reviewed for impairment at least once annually. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On loss of control of a subsidiary undertaking, any attributable goodwill is included in the determination of any profit or loss on disposal. On disposal of a business, where goodwill on acquisition is allocated to the entire cash-generating unit (CGU), goodwill is allocated to the disposal on a relative basis.

Goodwill is allocated to one or more CGUs, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

### (b) **Present value of acquired in-force for insurance and investment contract business**

The present value of acquired in-force for insurance and investment contract business is capitalised in the consolidated statement of financial position as an intangible asset.

The capitalised value is the present value of cash flows anticipated in the future from the relevant book of insurance and investment contract policies acquired at the date of the acquisition of a business. This is calculated by performing a cash flow projection of the associated life assurance fund and book of in-force policies in order to estimate future after tax profits attributable to shareholders. The valuation is based on actuarial principles taking into account future premium income, mortality, disease and surrender probabilities, together with future costs and investment returns on the assets supporting the fund. These profits are discounted at a rate of return allowing for the risk of uncertainty of the future cash flows. The key assumptions impacting the valuation are discount rate, future investment returns and the rate at which policies discontinue.

The asset is amortised over the expected profit recognition period on a systematic basis over the anticipated lives of the related contracts.

The amortisation charge is stated net of any unwind in the discount rate used to calculate the asset.

The recoverable amount of the asset is re-calculated at each reporting date and any impairment losses recognised accordingly.



**(c) Other intangible assets acquired as part of a business combination**

Contractual banking and asset management customer relationships, relationships with distribution channels and similar intangible assets, acquired as a part of a business combination, are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships acquired at the date of acquisition.

Brands and similar items acquired as part of a business combination are capitalised at their fair value based on a 'relief from royalty' valuation methodology.

Subsequent to initial recognition such acquired intangible assets, if not categorised as infinite life, are amortised on a straight-line basis over their estimated useful lives as set out below:

– Distribution channels	10 years
– Customer relationships	10 years
– Brands	15 – 20 years

The estimated useful life is re-evaluated annually.

Other intangible assets acquired in a business combination are impaired if the carrying value is greater than the net recoverable amount.

**(d) Internally developed software**

Internally developed software (software) is amortised over its estimated useful life, where applicable. Such assets are stated at cost less accumulated amortisation and impairment losses. Software is recognised in the consolidated statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the Group and its cost can be measured reliably.

Costs incurred in the research phase are expensed in profit or loss whereas costs incurred in the development phase are capitalised subject to meeting specific criteria. The main criteria being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the relevant software, which range between two and ten years, depending on the nature and use of the software.

**(e) Subsequent expenditure**

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

## (f) Analysis of goodwill and other intangible assets

The table below shows the movements in cost, amortisation and impairment of goodwill and other intangible assets for the year ended 31 December 2017; the year ended 31 December 2016 and the year ended 31 December 2015:

	(R million)				
	Goodwill	Present value of acquired in-force business	Software development costs	Other intangible assets	Total
<b>Cost</b>					
<b>Balance at 1 January 2015</b>	49,600	19,921	12,043	7,236	88,800
Acquisitions through business combinations	9,120	–	–	6,012	15,132
Purchase price adjustments	420	–	–	–	420
Additions	–	–	1,409	178	1,587
Disposal of interests in subsidiaries	(809)	(2,447)	(28)	(80)	(3,364)
Disposals or retirements	–	–	(152)	(14)	(166)
Foreign exchange and other movements	13,648	4,933	381	2,858	21,820
Transfer to assets held for sale and distribution <sup>3</sup>	(573)	–	–	–	(573)
<b>Balance at 31 December 2015</b>	71,406	22,407	13,653	16,190	123,656
Acquisitions through business combinations	2,470	–	9	1,527	4,006
Purchase price adjustments	(239)	–	–	335	96
Additions	–	–	2,623	183	2,806
Disposals or retirements	–	–	(239)	(10)	(249)
Foreign exchange and other movements	(7,100)	(5,308)	(558)	(3,713)	(16,679)
Transfer to assets held for sale and distribution <sup>3</sup>	(31,118)	(1,598)	–	(1,427)	(34,143)
<b>Balance at 31 December 2016</b>	<b>35,419</b>	<b>15,501</b>	<b>15,488</b>	<b>13,085</b>	<b>79,493</b>
Acquisitions through business combinations <sup>1, 2</sup>	329	–	–	465	794
Additions	–	–	3,170	36	3,206
Disposals or retirements	–	–	(337)	(34)	(371)
Foreign exchange and other movements	(593)	(175)	54	(385)	(1,099)
Transfer to assets held for sale and distribution <sup>3</sup>	(28,140)	(15,070)	(15,194)	(11,504)	(69,908)
<b>Balance at 31 December 2017</b>	<b>7,015</b>	<b>256</b>	<b>3,181</b>	<b>1,663</b>	<b>12,115</b>

1. Goodwill acquired through business combinations for the year ended 31 December 2017 of R329 million relates to the acquisition of Caerus Capital Group Limited (R171 million (£10 million)), eight acquisitions by the Old Mutual Wealth Private Client Advisors business (R86 million (£5 million)) and the acquisition of WinTwice Properties (Pty) Ltd and Bedford Square Properties (Pty) Ltd (R72 million). Refer to note A2 for more information.

2. Other intangible assets acquired through business combinations for the year ended 31 December 2017 of R465 million (£27 million) relates to the acquisitions of Caerus Capital Group Limited (R171 million (£10 million)), Attivo Investment Management Limited (R123 million (£7 million)) and eight acquisitions by the Old Mutual Wealth Private Client Advisors business (R171 million (£10 million)). Refer to note A2 for more information.

3. At 31 December 2017, goodwill and other intangible assets attributable to Nedbank and Old Mutual Wealth have been transferred to assets held-for-sale and distribution in the consolidated statement of financial position. Transfers of the assets held-for-sale and distribution at 31 December 2016 and 31 December 2015 primarily relate to IAM. Refer to note A4 for more information.

	(R million)				
	Goodwill	Present value of acquired in-force business	Software development costs	Other intangible assets	Total
<b>Amortisation and impairment losses</b>					
<b>Balance at 1 January 2015</b>	11,228	14,262	8,073	5,511	39,074
Amortisation charge for the year	–	1,137	961	1,360	3,458
Impairment losses <sup>2</sup>	440	–	–	–	440
Disposal of interests in subsidiaries	–	(1,999)	(28)	–	(2,027)
Disposals or retirements	–	–	(130)	(11)	(141)
Foreign exchange and other movements	2,983	3,725	322	1,640	8,670
Transfer to assets held for sale and distribution <sup>1</sup>	(566)	–	(8)	(7)	(581)
<b>Balance at 31 December 2015</b>	14,085	17,125	9,190	8,493	48,893
Amortisation charge for the year	–	963	1,034	1,089	3,086
Impairment losses <sup>2</sup>	2,190	–	64	–	2,254
Disposals or retirements	–	–	(200)	(3)	(203)
Foreign exchange and other movements	(1,571)	(4,130)	(447)	(1,967)	(8,115)
Transfer to assets held for sale and distribution <sup>1</sup>	(6,727)	(1,536)	–	(56)	(8,319)
<b>Balance at 31 December 2016</b>	<b>7,977</b>	<b>12,422</b>	<b>9,641</b>	<b>7,556</b>	<b>37,596</b>
Amortisation charge for the year	–	668	1,029	910	2,607
Impairment losses <sup>2</sup>	1,462	–	16	–	1,478
Disposals or retirements	–	–	(301)	(29)	(330)
Foreign exchange and other movements	(267)	(154)	99	(228)	(550)
Transfer to assets held for sale and distribution <sup>1</sup>	(6,605)	(12,680)	(9,000)	(7,054)	(35,339)
<b>Balance at 31 December 2017</b>	<b>2,567</b>	<b>256</b>	<b>1,484</b>	<b>1,155</b>	<b>5,462</b>
<b>Net carrying value at:</b>					
31 December 2015	57,321	5,282	4,463	7,697	74,763
31 December 2016	27,442	3,079	5,847	5,529	41,897
<b>31 December 2017</b>	<b>4,448</b>	<b>–</b>	<b>1,697</b>	<b>508</b>	<b>6,653</b>

1. At 31 December 2017, goodwill and other intangible assets attributable to Nedbank and Old Mutual Wealth have been transferred to assets held for sale and distribution in the consolidated statement of financial position. Transfers of the assets held for sale and distribution at 31 December 2016 and 31 December 2015 primarily relate to IAM. Refer to note A4 for more information.

2. The goodwill impairment loss of R1,462 million for the year ended 31 December 2017 relates to the East Africa cash generating unit (R1,186 million) and the Uruguay cash generating unit (R276 million) within Emerging Markets. Of the impairment losses of R2,190 million for the year ended 31 December 2016, R917 million relates to the disposal of Old Mutual Italy, which completed on 9 January 2017, and R1,273 million relates to the OMSEA Cash Generating Units within Emerging Markets. Refer to note H1(h) for more information. The goodwill impairment loss for the year ended 31 December 2015 of R440 million relates to the disposal of Rogge Global Partners, part of the IAM. The transaction completed on 31 May 2016.

**(g) Allocation of goodwill to cash generating units**

The carrying amount of goodwill relates to the following cash generating units (CGUs):

	<b>(R million)</b>		
	<b>At 31 December 2017</b>	<b>At 31 December 2016</b>	<b>At 31 December 2015</b>
Emerging Markets	<b>4,448</b>	5,896	7,860
Latin America	–	1,188	1,314
Columbia Mexico	<b>859</b>	–	–
Uruguay	<b>67</b>	–	–
Old Mutual Southern and East Africa	–	1,928	3,522
East Africa	<b>579</b>	–	–
Namibia	<b>59</b>	–	–
Old Mutual South Africa	–	2,780	3,024
OM Insure	<b>49</b>	–	–
Mass Foundation segment	<b>1,895</b>	–	–
Corporate segment	<b>91</b>	–	–
Investment segment	<b>849</b>	–	–
Old Mutual Wealth <sup>1</sup>	–	16,502	24,696
Nedbank <sup>1</sup>	–	5,044	5,102
Institutional Asset Management <sup>1</sup>	–	–	19,663
<b>Goodwill, net of impairment losses</b>	<b>4,448</b>	<b>27,442</b>	<b>57,321</b>

1. At 31 December 2017, goodwill attributable to Nedbank (R4,976 million) and Old Mutual Wealth (R16,559 million) have been transferred to assets held for sale and distribution in the consolidated statement of financial position. At 31 December 2016, goodwill attributable to Institutional Asset Management (R20,612 million) was transferred to assets held for sale. Refer to note A4 for more information.

**Critical accounting estimates and judgements – Goodwill and intangible assets**

**(h) Annual impairment testing of goodwill (continuing operations)**

In accordance with the requirements of IAS 36 'Impairment of Assets', goodwill is tested annually for impairment for each Cash Generating Units (CGU), by comparing the carrying amount of each CGU to its recoverable amount, being the higher of that CGU's value in use or fair value less costs to sell. The appropriateness of the CGUs is evaluated on an annual basis. An impairment charge is recognised when the recoverable amount is less than the carrying value.

Emerging Market's CGU's generate revenue through their life assurance, asset management, property & casualty and banking businesses in several regions, but principally in Africa and Latin America.

**Determination of Cash Generating Units**

At 30 June 2017, the change in the operating structure prompted the separation of the previously reported single Old Mutual Southern and East Africa (OMSEA) CGU into two CGUs for Southern Africa and East Africa. The composition of the East African CGU includes the former Old Mutual Kenya and the recently acquired business interests in UAP and Faulu. The goodwill balance of R1,928 million of the OMSEA CGU at 31 December 2016 was allocated in its entirety to the East African CGU, which is primarily located in Kenya, on the basis that it related to the acquisitions of UAP and Faulu within that region.

At 31 December 2017, in light of managed separation and the monitoring of the performance of the business, the management of Emerging Markets reconsidered the appropriateness of its CGU's and based on evidence concluded the lowest attributable CGU's should be based on individual countries. The South African CGU have been further allocated into five CGU's being Retail, Mass Foundation, Corporate, Investment and OM Insure, on which basis management have performed goodwill impairment testing.

Therefore, the results of the goodwill testing performed are not directly comparable on a year on year basis.

**Value in Use models**

In the performance of goodwill impairment testing the Emerging Markets used a discounted cash flow model, which incorporated planned business performance and a risk adjusted discounted rate.

### Impairment losses recognised during H1 2017

An impairment charge of R1,186 million was recognised in the Emerging Markets segment at 30 June 2017. This impairment of goodwill was principally the result of changes in the CGU definition following the simplification of the Rest of Africa businesses' operating structure. Weaker performance in the East Africa businesses than was anticipated at the time of the previous impairment review also had a minor impact.

The following key assumptions were used in the goodwill impairment test performed at 30 June 2017 which included a risk adjusted long-term discount rate of 17.00% and cash flows in year 1 to 3 of 70.0% of the planned business performance; growth in cash flows of 13.0% for years 4 and five and terminal growth rate of 8.5%.

The result of using the above assumptions resulted in the Group recognising an impairment of R1,186 million in profit or loss relating to the East African CGU. The impairment of goodwill has been allocated to equity holders of the parent (R720 million) and non-controlling interests (R466 million).

### Impairment losses recognised during H2 2017

A goodwill impairment charge of R276 million has been recognised in 2017 following further impairment reviews in H2 2017. This was recognised in relation to the Aiva business in Uruguay. This impairment was reflective of the challenging business environment in the country.

Apart from the goodwill impairment losses for East Africa and Uruguay, no other goodwill impairment losses have been recognised in profit or loss for the year ended 31 December 2017.

The following key assumptions have been used in the performance of goodwill impairment testing for the year ended 31 December 2017:

	Discount rate	Cash flows		
		Year 1 – 3 (business plan)	Year 4 – 5 growth rate	Terminal growth rates
Uruguay	14.35%	100%	3.75%	1.88%
Columbia/Mexico	14.35%	100%	5.73%	2.87%
East Africa	17.00%	85%	13.00%	8.50%
Namibia	18.56%	100%	8.00%	4.00%
OM Insure	13.06%	100%	4.80%	2.40%
Investment segment	13.06%	100%	4.80%	2.40%
Corporate segment	13.06%	100%	4.80%	2.40%
Mass Foundation segment	13.06%	100%	4.80%	2.40%

### Sensitivities and headroom analysis

The aggregated results of the goodwill testing indicated total headroom of R49.9 billion at 31 December 2017. Excluding the results of goodwill impairment testing for the Uruguay CGU, a 1% increase in the discount rate on any of the CGUs identified would not result in any goodwill impairment being recognised.

The following sensitivities on inputs used in the goodwill impairment testing have indicated that:

- A 1% increase in the discount rate would decrease headroom by R6,953 million; and
- A 1% decrease in the discount rate would increase headroom by R8,540 million.

### Impairment losses recognised during 2016

A goodwill impairment charge of R1,273 million for the year ended 31 December 2016 was recognised for the OMSEA CGU.

The following key assumptions were used in the performance of goodwill testing for the year ended 31 December 2016:

	Cash flows			
	Discount rate	Year 1 – 3 (business plan)	Year 4 – 5 growth rate	Terminal growth rates
Latin America	17.00%	100%	14.00%	1.50%
Old Mutual Southern and East Africa	22.30%	100%	18.00%	4.50%
Old Mutual South Africa	14.30%	100%	7.50%	2.40%

#### Impairment testing during 2015

During 2015, Emerging Markets carried goodwill in four distinct CGUs: Old Mutual South Africa (OMSA), Mutual and Federal (M&F), Latin America (LatAm) and Old Mutual Southern and Eastern Africa (OMSEA). At 31 December 2015, the Directors were satisfied that any reasonable change in the assumptions set out below would not have caused the recoverable amounts of the goodwill to fall below the carrying amounts. No goodwill impairment loss was recognised for the year ended 31 December 2015.

The following key assumptions were used in the performance of goodwill impairment testing for the year ended 31 December 2015:

- Growth rate – the rates assumed beyond the business planning period for years four and five were: OMSA nil, LatAm 18.0%, and OMSEA 18.0% (2014: 9.0% to 12.0%). Based on the carrying amount of goodwill at 31 December 2015, the weighted average growth rate for Emerging Markets was 13.5%. Growth rates beyond the planning period were assumed to be the expected inflation rate in all the regions, except for OMSEA where the rate is greater than inflation in the first seven years due to the expected synergies of the OMSEA businesses.
- Discount rate – the rate applied was 13.5% (2014: 13.5%) for all the CGUs and used the relevant 10-year government bond rate as a starting point, which was adjusted for an equity market risk premium and other relevant risk adjustments, which were determined using market valuation models and other observable references.

#### Impairment testing relating to the assets held-for-sale and distribution

At 31 December 2017, no impairment losses have been recognised for the Nedbank and Old Mutual Wealth businesses, which have been classified and presented as discontinued operations in the consolidated income statement and as held for distribution in the consolidated statement of financial position in terms of the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Impairment losses are determined as the deficit between fair value less cost to distribute of each business and the carrying value of each business at 31 December 2017.

The fair value less cost to distribute of Nedbank was determined by reference to its quoted market price at 31 December 2017. At 31 December 2017, the fair value less cost to distribute exceeded the carrying value of Nedbank and the Group therefore concluded that goodwill and other intangible assets related to the Nedbank are not impaired. The fair value less cost to distribute of Old Mutual Wealth is not observable in a quoted active market and accordingly it has been determined by reference to external broker valuation reports and an internal valuation performed for goodwill impairment testing. As such, the conclusion of this matter has required significant judgement and the use of estimates.

At 31 December 2017, the Group has concluded that the fair value less costs to distribute exceeded the carrying value of Old Mutual Wealth and therefore no impairment losses of goodwill and other intangible assets have been recognised.

In addition, no other impairments for property, plant and equipment, investment properties or other intangible assets have been recognised as a result of classifying these businesses as held for distribution.

## H2: Fixed assets

### H2(a): Property, plant and equipment

This following table analyses land, buildings and equipment.

	(R million)			
	Land	Buildings	Plant and equipment	Total
<b>Gross carrying amount</b>				
<b>Balance at 1 January 2015</b>	2,265	8,120	11,171	21,556
Acquisitions through business combinations	–	164	278	442
Additions	12	633	2,295	2,940
Increase arising from revaluation	48	351	–	399
Transfer from investment property	41	162	–	203
Reclassification within property, plant and equipment	–	1,673	(1,673)	–
Disposals	–	(166)	(322)	(488)
Foreign exchange and other movements	(598)	523	970	895
Transfer to assets held for sale and distribution <sup>1</sup>	–	–	(55)	(55)
<b>Balance at 31 December 2015</b>	1,768	11,460	12,664	25,892
Acquisitions through business combinations	–	4	196	200
Additions	4	427	2,149	2,580
Increase arising from revaluation	33	181	2	216
Transfer (to)/from investment property	38	(393)	(13)	(368)
Disposals	(3)	(185)	(431)	(619)
Foreign exchange and other movements	132	(551)	(731)	(1,150)
Transfer to assets held for sale and distribution <sup>1</sup>	(62)	(162)	(1,456)	(1,680)
<b>Balance at 31 December 2016</b>	1,910	10,781	12,380	25,071
Additions	–	396	1,867	2,263
Increase arising from revaluation	16	305	–	321
Transfer to/(from) investment property	92	2,585	–	2,677
Reclassification within property, plant and equipment	(248)	248	–	–
Disposals	(16)	(245)	(429)	(690)
Foreign exchange and other movements	(57)	(252)	21	(288)
Transfer to assets held for sale and distribution <sup>1</sup>	(955)	(7,377)	(9,842)	(18,174)
<b>Balance at 31 December 2017</b>	742	6,441	3,997	11,180

1. At 31 December 2017, property, plant and equipment attributable to Nedbank, Old Mutual Wealth and Emerging Markets have been transferred to assets held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

	(R million)			
	Land	Buildings	Plant and equipment	Total
<b>Accumulated depreciation and impairment losses</b>				
<b>Balance at 1 January 2015</b>	–	(754)	(7,038)	(7,792)
Depreciation charge for the year	–	(390)	(1,308)	(1,698)
Disposals	–	132	218	350
Foreign exchange and other movements	–	(835)	25	(810)
Transfer to assets held for sale and distribution <sup>1</sup>	–	–	42	42
<b>Balance at 31 December 2015</b>	–	(1,847)	(8,061)	(9,908)
Depreciation charge for the year	–	(479)	(1,545)	(2,024)
Disposals	–	116	374	490
Foreign exchange and other movements	–	228	397	625
Transfer to assets held for sale and distribution <sup>1</sup>	–	7	866	873
<b>Balance at 31 December 2016</b>	–	(1,975)	(7,969)	(9,944)
Depreciation charge for the period	–	(522)	(1,589)	(2,111)
Disposals	–	95	276	371
Foreign exchange and other movements	–	126	(29)	97
Transfer to assets held for sale and distribution <sup>1</sup>	–	1,872	6,616	8,488
<b>Balance at 31 December 2017</b>	–	(404)	(2,695)	(3,099)

**Net carrying amount at:**

31 December 2015	1,768	9,613	4,603	15,984
31 December 2016	1,910	8,806	4,411	15,127
<b>31 December 2017</b>	<b>742</b>	<b>6,037</b>	<b>1,302</b>	<b>8,081</b>

1. At 31 December 2017, property, plant and equipment attributable to Nedbank, Old Mutual Wealth and Emerging Markets have been transferred to assets held-for-sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

The carrying value of property, plant and equipment leased to third parties under operating leases included in the above is R859 million (2016: R322 million; 2015: R418 million) and comprises land of R210 million (2016: R48 million; 2015: R159 million) and buildings of R649 million (2016: R274 million; 2015: R259 million).

The value of property, plant and equipment pledged as security is R323 million (2016: R392 million; 2015: R502 million).

The revaluation of land and buildings relates to Emerging Markets and Nedbank. For the year ended 31 December 2017, Emerging Markets made revaluation gains of R7 million on land (2016: R32 million; 2015: R26 million) and R116 million (2016: R99 million; 2015: R99 million) on buildings. Nedbank made revaluation gains of R9 million on land (2016: R1 million; 2015: R22 million) and R189 million on buildings (2016: R82 million; 2015: R219 million).

For Emerging Markets, land and buildings are valued as at 31 December each year by internal professional valuers and external valuations are obtained once every three years. For Nedbank, valuations are performed every three years by external professional valuers. For each business, the valuation methodology adopted is dependent upon the nature of the property. Income generating assets are valued using discounted cash flows and vacant land and property are valued according to sales of comparable properties.

As at 31 December 2017 all the assets of Nedbank had been reclassified as assets held-for-sale and distribution. As a consequence the carrying value property, plant and equipment as at 31 December 2017 relates to Emerging Markets only.

The carrying value that would have been recognised had the land and buildings been carried under the historic cost model would be R393 million (2016: R825 million; 2015: R825 million) and R616 million (2016: R5,275 million; 2015: R5,487 million).

Property, plant and equipment are classified as Level 3 in terms of the fair value hierarchy. Level 3 fair value measurements are those that include the use of significant unobservable inputs.



## H2(b): Investment property

		(R million)		
	Note	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Balance at beginning of the year		28,769	28,139	30,209
Additions		6,137	1,648	2,844
Additions from business combinations		–	–	2,030
Disposals		(76)	(164)	(8,277)
Net gain from fair value adjustments		509	1,874	1,061
Transferred from/(to) property, plant and equipment		(2,677)	368	(203)
Foreign exchange and other movements		(1,059)	(1,401)	2,398
Transfer to assets held for sale and distribution		300	(1,695)	(1,923)
<b>Balance at end of the year</b>		<b>31,903</b>	<b>28,769</b>	<b>28,139</b>

All of the Group's investment property is held by the Emerging Markets segment, principally within its policyholder funds. The fair value of investment property leased to third parties under operating leases is as follows:

		(R million)		
		Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Freehold		30,192	25,417	24,808
Leasehold		1,711	3,352	3,331
		<b>31,903</b>	<b>28,769</b>	<b>28,139</b>
Rental income from investment property		2,732	2,523	2,355
Direct operating expense arising from investment property that generated rental income		(548)	(657)	(488)
		<b>2,184</b>	<b>1,866</b>	<b>1,867</b>

The carrying amount of investment property is the fair value of the property as determined by a registered independent valuer at least every three years, and annually by locally qualified staff, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values are determined having regard to recent market transactions for similar properties in the same location as the Group's investment property. The Group's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, are taken into account.

All of the Group's investment properties are located in Africa.

## H2(c): Fair value hierarchy of the Group's property

The fair value of the Group's properties are categorised into Level 3 of the fair value hierarchy. The table below reconciles the fair value measurements of the investment and owner-occupied property:

	(R million)		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Balance at beginning of the year	37,575	37,752	37,575
Additions and acquisitions	6,533	2,075	3,477
Additions from business combinations	–	4	2,194
Disposals	(226)	(233)	(8,311)
Net gain from fair value adjustments <sup>1</sup>	814	2,055	1,412
Impairments and depreciation	(522)	(479)	(390)
Reclassification (to)/from other categories of property, plant and equipment	156	–	1,673
Foreign exchange and other movements	(1,185)	(1,749)	2,045
Transfer to assets held for sale and distribution	(5,205)	(1,850)	(1,923)
<b>Balance at end of the year</b>	<b>37,940</b>	<b>37,575</b>	<b>37,752</b>

1. These gains and losses have been included in investment return (non-banking).

The following table shows the valuation techniques used in the determination of the fair values for investment and owner-occupied properties, as well as the unobservable inputs used in the valuation models.

Type of property	Valuation approach	Key unobservable inputs	Inter-relationship between unobservable inputs and key fair value measurement
<ul style="list-style-type: none"> <li>Commercial, retail and industrial properties</li> <li>Owner-occupied property</li> </ul>	<ul style="list-style-type: none"> <li>Discounted cash flow (market related rentals achievable for the property, discounted at the appropriate discount rate)</li> </ul>	<ul style="list-style-type: none"> <li>Rental income per square metre and capitalisation rates</li> <li>Long-term net operating margin and capitalisation rates</li> <li>Vacancies</li> </ul>	<ul style="list-style-type: none"> <li>The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> <li>net rental income increases/(decreases) or</li> <li>capitalisation rates decrease/(increase)</li> </ul> </li> <li>The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> <li>long term operating margin increase/(decrease); or</li> <li>capitalisation rates decrease/(increase)</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Holiday accommodation</li> <li>Residential property</li> </ul>	<ul style="list-style-type: none"> <li>Average of market comparable valuations</li> <li>Replacement cost</li> <li>Land value</li> </ul>	<ul style="list-style-type: none"> <li>Price per square metre</li> </ul>	<ul style="list-style-type: none"> <li>The estimated fair value would increase/(decrease) if price per square metre increase/(decrease)</li> </ul>
<ul style="list-style-type: none"> <li>Near vacant properties</li> </ul>	<ul style="list-style-type: none"> <li>Land value less the estimated cost of demolition</li> </ul>	<ul style="list-style-type: none"> <li>Recent sales of land in the area and local government valuation rolls adjusted for estimated cost of demolition</li> </ul>	<ul style="list-style-type: none"> <li>Recent sales and local government valuation rolls provide an indication of what the property may be sold for</li> </ul>

## H3: Deferred acquisition costs

Deferred acquisition costs relate to costs that the Group incurred 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 table below analyses the movements in deferred acquisition costs relating to insurance, investment and asset management contracts.

	(R million)			
	Insurance contracts	Investment contracts	Asset management	Total
<b>Balance at 1 January 2015</b>	807	13,329	1,376	15,512
New business	19	2,551	(3,334)	(764)
Amortisation	(5)	(2,618)	(510)	(3,133)
Disposal of interests in subsidiaries	(93)	(724)	–	(817)
Foreign exchange and other movements	161	3,000	3,927	7,088
<b>Balance at 31 December 2015</b>	889	15,538	1,459	17,886
New business	97	2,245	278	2,620
Amortisation	(98)	(2,579)	(475)	(3,152)
Foreign exchange and other movements	(154)	(3,282)	695	(2,741)
Transfer to assets held for sale and distribution <sup>1</sup>	–	(1,201)	(586)	(1,787)
<b>Balance at 31 December 2016</b>	<b>734</b>	<b>10,721</b>	<b>1,371</b>	<b>12,826</b>
New business	101	1,662	347	2,110
Amortisation	(79)	(1,985)	(355)	(2,419)
Foreign exchange and other movements	(31)	(53)	31	(53)
Transfer to assets held for sale and distribution <sup>1</sup>	(169)	(9,067)	(142)	(9,378)
<b>Balance at 31 December 2017</b>	<b>556</b>	<b>1,278</b>	<b>1,252</b>	<b>3,086</b>

1. At 31 December 2017, deferred acquisition costs attributable to Old Mutual Wealth have been transferred to assets held for sale and distribution in the consolidated statement of financial position. At 31 December 2016, deferred acquisition costs attributable to Old Mutual Wealth Italy and Institutional Asset Management were transferred to assets held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

#### H4: Trade, other receivables and other assets

	(R million)			
	Note	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Debtors arising from direct insurance operations</b>				
Amounts owed by policyholders		2,273	1,647	2,194
Amounts owed by intermediaries		745	741	943
Other		2,877	418	555
		5,895	2,806	3,692
Debtors arising from reinsurance operations		1,178	922	938
Outstanding settlements		2,636	8,874	7,569
Post-employment benefits	J1	678	3,482	3,533
Other receivables		2,139	7,490	12,365
Accrued interest and rent		3,543	4,103	4,115
Trading securities and spot positions		–	4,540	4,140
Prepayments and accrued income		928	2,960	2,526
Other assets		4,878	5,796	5,526
<b>Total trade, other receivables and other assets</b>		<b>21,875</b>	<b>40,973</b>	<b>44,404</b>

At 31 December 2017, total trade, other receivables and other assets of R27,115 million attributable to Nedbank and Old Mutual Wealth have been transferred to assets held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

Based on the maturity profile of the above assets, R13,255 million (2016: R27,957 million; 2015: R35,067 million) is regarded as current and R8,620 million (2016: R13,016 million; 2015: R9,337 million) as non-current. No significant balances are past due or impaired.

## H5: Provisions and accruals

	R million					
	Compensation provisions	Restructuring provisions	Surplus property	Provision for donations	Other	Total
<b>Balance at 1 January 2015</b>	1,690	–	349	1,349	1,708	5,096
Unused amounts reversed	–	–	(166)	–	(12)	(178)
Charge to profit or loss	–	–	3	100	350	453
Utilised during the year	(801)	–	(59)	(147)	(182)	(1,189)
Foreign exchange and other movements	90	–	123	–	156	369
<b>Balance at 31 December 2015</b>	979	–	250	1,302	2,020	4,551
Unused amounts reversed	–	–	(60)	–	(1)	(61)
Charge to profit or loss	–	–	28	–	330	358
Utilised during the year	(259)	–	(34)	(220)	(802)	(1,315)
Transfer to other liabilities	–	–	(50)	–	(519)	(569)
Foreign exchange and other movements	(25)	–	(35)	–	(90)	(150)
Transfer to liabilities held for sale and distribution <sup>1</sup>	(85)	–	–	–	(16)	(101)
<b>Balance at 31 December 2016</b>	610	–	99	1,082	922	2,713
Unused amounts reversed	–	–	(6)	(39)	(243)	(288)
Charge to profit or loss	1,254	458	96	–	271	2,079
Utilised during the year	(103)	–	(23)	–	(87)	(213)
Transfer to other liabilities	(22)	–	–	–	(122)	(144)
Foreign exchange and other movements	(6)	(21)	(4)	–	10	(21)
Transfer to liabilities held for sale and distribution <sup>1</sup>	(1,360)	–	(68)	–	(313)	(1,741)
<b>Balance at 31 December 2017</b>	373	437	94	1,043	438	2,385

1. At 31 December 2017, provisions and accruals attributable to Nedbank and Old Mutual Wealth have been transferred to liabilities held for sale and distribution in the consolidated statement of financial position. At 31 December 2016, provisions and accruals attributable to Old Mutual Wealth Italy and Institutional Asset Management were transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

## **Analysis of provisions and accruals**

### **Compensation provisions at 31 December 2017 comprises:**

- R179 million (2016: R170 million; 2015: R342 million) relating to regulatory uncertainty and multiple causal events;
- R194 million (2016: R220 million; 2015: R274 million) relates to the provision for claw-back of prescribed claims. This provision is held to allow for the probable future payment of claims that have been previously reversed. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. Estimates of this provision are reviewed annually and are adjusted as and when new circumstances arise.

Of the total client compensation provisions, R352 million (2016: R364 million; 2015: R646 million) is estimated to be payable after more than one year.

### **Surplus property provisions**

Surplus property provisions relate to the onerous costs of vacant properties leased by the Group of which R94 million (2016: R85 million; 2015: R228 million) is estimated to be payable after more than one year.

### **Restructuring provisions**

During the year ended 31 December 2017, plc Head Office and Old Mutual Bermuda recognised R218 million and R240 million restructuring provisions respectively relating to redundancy costs expected to be incurred in the wind-down of these operations during 2018.

### **Provisions for donations**

The provision for donations is held by Emerging Markets in respect of commitments made by the South African business to the future funding of charitable donations. The funds were made available on the closure of the Group's unclaimed shares trusts which were set up as part of the demutualisation in 1999 and closed in 2006. All of this is regarded to be payable after more than one year due to the long-term nature of the agreements in place.

Other provisions include long-term staff benefits and amounts for the resolution of legal uncertainties and the settlement of other claims raised by contracting parties. These provisions are generally individually immaterial.

Where material, provisions and accruals are discounted at discount rates specific to the risks inherent in the liability. The timing and final amounts of payments in respect of some of the provisions, particularly those in respect of litigation claims and similar actions against the Group, are uncertain and could result in adjustments to the amounts recorded. Of the total provisions shown above, R1,625 million (2016: R2,054 million; 2015: R3,103 million) is estimated to be payable after one year.

## **Provisions and accruals classified as held for sale and held for distribution**

### **Compensation provisions: Voluntary remediation provision**

As part of its ongoing work to promote fair customer outcomes, the company has conducted product reviews consistent with the recommendations from the FCA's thematic feedback and the FCA's guidance 'FG16/8 Fair treatment of long-standing customers in the life insurance sector'. Following these reviews, the company has decided to commence voluntary remediation to customers in certain legacy products, resulting in an additional provision raised during the year of R1,183 million, including R120 million of programme costs and R223 million of estimated interest.

The voluntary remediation relates to early encashment charges and contribution servicing charges made on pension products and following the re-introduction of annual reviews, compensation payable to a subset of Protection plan holders.

The redress comprises retrospective refunds and compensation, going back to 1 January 2009, and prospective 5% caps on early encashment charges. An FCA press release (3 March 2016) stated that its investigation will focus on disclosure of exit and paid-up charges after December 2008. From 2004 to 2007 the Financial Services Authority published a number of communications on treating customers fairly (TCF) which made it clear that all firms were required to have regard to customers' information needs through the life cycle of a product. Firms were required to implement changes to complete their TCF work no later than December 2008.

The company intends to substantially complete the remediation by the end of 2018.

Key estimates and assumptions in relation to the provision are:

- Protection policy sustainability period assumption of 4 years; and
- The programme costs of carrying out the remediation activity and interest on remediation payments.

If past reviews had been carried out correctly, policies would be expected to have funds sufficient to provide up to four years' cover from the current reporting date, on the basis that future premium increases are not applied. This assumption has been used to determine the cost of reconstructing the impacted Protection policies to their expected values.

The programme costs of conducting the remediation activity are highly variable and are subject to a number of uncertainties. In calculating the best estimate of these costs, consideration has been given to such matters as the identification of impacted customers, access to and the quality of customer files, likelihood of the customer contesting the offer, the complexity of the calculations, the level of quality assurance and checking, the ease of contacting and communicating with customers and the level of customer interactions.

Sensitivities relating to the assumptions and uncertainties are provided in the table below:

Assumption	Change in assumption	Consequential change in provision
Protection policy sustainability period assumption reduced to 3 years	Protection policy sustainability period assumption reduced to 3 years	+R53 million
Protection policy sustainability period	Protection policy sustainability period assumption increased to 5 years	+R57 million
Programme cost per case of conducting the review	+/- 20% of the cost per case	+/- R24 million

The Group has not provided for any future potential enforced redress and associated penalties. Disclosure of related contingent liabilities is included in note J4.

Of the total provisions for the businesses classified as held for sale and held for distribution of R1,741 million, R224 million is estimated to be payable after one year.

#### H6: Deferred revenue

Deferred revenue relates to initial fees received for the future provision of services that the Group will render on investment management contracts. These fees are capitalised in the consolidated statement of financial position and are amortised in profit or loss over the expected life of the contracts. The table below analyses the movements in deferred revenue.

	(R million)				
	Life and Savings	Asset Management	Property & Casualty	Banking	Total
<b>Balance at 1 January 2015</b>	5,008	652	191	92	5,943
Fees and commission income deferred	384	10	3	7	404
Amortisation	(784)	(357)	–	–	(1,141)
Acquisition of subsidiaries	36	–	800	–	836
Disposal of subsidiaries	(344)	–	–	–	(344)
Foreign exchange and other movements <sup>1</sup>	1,208	113	(791)	30	560
<b>Balance at 31 December 2015</b>	5,508	418	203	129	6,258
Fees and commission income deferred	362	–	5	(13)	354
Amortisation	(582)	(242)	–	–	(824)
Foreign exchange and other movements	(1,463)	751	(64)	(14)	(790)
Transfer to liabilities held for sale and distribution <sup>1</sup>	(89)	–	–	–	(89)
<b>Balance at 31 December 2016</b>	<b>3,736</b>	<b>927</b>	<b>144</b>	<b>102</b>	<b>4,909</b>
Fees and commission income deferred	295	231	–	12	538
Amortisation	(449)	(268)	–	–	(717)
Foreign exchange and other movements	256	2	(3)	(11)	244
Transfer to liabilities held for sale and distribution <sup>1</sup>	(3,572)	(16)	–	(8)	(3,596)
<b>Balance at 31 December 2017</b>	<b>266</b>	<b>876</b>	<b>141</b>	<b>95</b>	<b>1,378</b>

1. At 31 December 2017, deferred revenue attributable to Old Mutual Wealth has been transferred to liabilities held for sale and distribution in the consolidated statement of financial position. At 31 December 2016, deferred revenue attributable to Old Mutual Wealth Italy was transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

## H7: Deferred tax assets and liabilities

Deferred income taxes are calculated on all temporary differences at the tax rate applicable to the jurisdiction in which the timing differences arise.

### (a) Deferred tax assets

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, being 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 deducted.

The movement on the deferred tax assets account is as follows:

	(R million)						
	Tax losses carried forward	Accelerated capital allowances	Policyholders tax	Deferred fee income	Other temporary differences	Netted against liabilities	Total
<b>Balance at 1 January 2015</b>	1,158	41	1,028	300	5,751	(3,178)	5,100
Income statement (charge)/credit	(645)	(19)	(1,388)	(86)	1,007	122	(1,009)
Acquisition/disposal of subsidiaries	–	–	–	(78)	98	58	78
Foreign exchange and other movements <sup>1</sup>	109	4	10	51	495	1,647	2,316
<b>Balance at 31 December 2015</b>	622	26	(350)	187	7,351	(1,351)	6,485
Income statement (charge)/credit	(144)	23	(11)	(69)	(23)	94	(130)
Recognised in the SOCI	–	–	–	–	88	–	88
Foreign exchange and other movements <sup>1</sup>	49	(26)	361	(7)	(270)	70	177
Transfer to assets held for sale and distribution <sup>2</sup>	(99)	(23)	–	(27)	(4,831)	(20)	(5,000)
<b>Balance at 31 December 2016</b>	<b>428</b>	<b>–</b>	<b>–</b>	<b>84</b>	<b>2,315</b>	<b>(1,207)</b>	<b>1,620</b>
Income statement (charge)/credit	(321)	(2)	–	(36)	465	63	169
Recognised in the SOCI	–	–	–	–	(85)	–	(85)
Foreign exchange and other movements <sup>1</sup>	222	9	7	(20)	1,303	(1,433)	88
Transfer to assets held for sale and distribution <sup>2</sup>	(196)	–	–	(27)	(3,012)	2,527	(708)
<b>Balance at 31 December 2017</b>	<b>133</b>	<b>7</b>	<b>7</b>	<b>1</b>	<b>986</b>	<b>(50)</b>	<b>1,084</b>

1. Includes reclassification of timing differences between categories.

2. At 31 December 2017, deferred tax assets attributable to Nedbank and Old Mutual Wealth have been transferred to assets held for sale and distribution in the consolidated statement of financial position. At 31 December 2016, deferred tax assets attributable to Old Mutual Wealth Italy and Institutional Asset Management were transferred to assets held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

The amounts for which no deferred tax asset has been recognised comprise:

	(R million)					
	At 31 December 2017		At 31 December 2016		At 31 December 2015	
	Gross amount	Tax	Gross amount	Tax	Gross amount	Tax
<b>Unrelieved tax losses</b>						
Expiring in less than a year	482	136	182	49	980	272
Expiring in the second to fifth years inclusive	810	244	1,149	303	325	32
Expiring after five years	19,138	3,254	30,922	5,291	38,928	7,126
	<b>20,430</b>	<b>3,634</b>	32,253	5,643	40,233	7,430
Accelerated capital allowances	395	67	3,245	552	4,186	754
Other timing differences	4,411	730	9,717	1,652	14,573	2,736
	<b>25,236</b>	<b>4,431</b>	45,215	7,847	58,992	10,920



(b) **Deferred tax liabilities**

The movement on the deferred tax liabilities account is as follows:

	(R million)								
	Accelerated tax depreciation	Deferred acquisition costs	PVIF	Other acquired intangibles	Capital gains tax	Policy- holder tax	Other timing differences	Netted against assets	Total
<b>Balance at 1 January 2015</b>	870	391	789	281	2,838	1,696	4,475	(3,178)	8,162
Income statement charge/(credit)	95	48	(205)	(243)	(35)	76	(728)	122	(870)
Charged to equity	–	–	–	–	18	–	52	–	70
Acquisition/disposal of subsidiaries	–	(117)	(98)	1,125	–	–	40	58	1,008
Foreign exchange and other movements	109	338	146	200	(1,885)	35	554	1,647	1,144
<b>Balance at 31 December 2015</b>	1,074	660	632	1,363	936	1,807	4,393	(1,351)	9,514
Income statement charge/(credit)	1	(75)	(148)	(183)	(640)	(548)	1,233	94	(266)
Charged to equity	–	–	–	–	(3)	–	(50)	–	(53)
Foreign exchange and other movements <sup>1</sup>	(89)	(585)	(155)	(100)	250	811	(2,429)	70	(2,227)
Transfer to liabilities held for sale and distribution <sup>2</sup>	(3)	–	–	80	(199)	219	413	(20)	490
<b>Balance at 31 December 2016</b>	<b>983</b>	<b>–</b>	<b>329</b>	<b>1,160</b>	<b>344</b>	<b>2,289</b>	<b>3,560</b>	<b>(1,207)</b>	<b>7,458</b>
Income statement charge/(credit)	124	62	(85)	(188)	796	18	452	63	1,242
Charged to equity	–	–	–	–	61	–	137	–	198
Foreign exchange and other movements <sup>1</sup>	(84)	951	(2)	(3)	852	(2,067)	1,968	(1,433)	182
Transfer to liabilities held for sale and distribution <sup>2</sup>	(568)	(335)	(242)	(949)	(87)	–	(4,338)	2,527	(3,992)
<b>Balance at 31 December 2017</b>	<b>455</b>	<b>678</b>	<b>–</b>	<b>20</b>	<b>1,966</b>	<b>240</b>	<b>1,779</b>	<b>(50)</b>	<b>5,088</b>

1. Includes reclassification of timing differences between categories.

2. At 31 December 2017, deferred tax liabilities attributable to Nedbank and Old Mutual Wealth have been transferred to liabilities held for sale and distribution in the consolidated statement of financial position. At 31 December 2016, deferred tax liabilities attributable to Old Mutual Wealth Italy and Institutional Asset Management were transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

The aggregate amount of temporary differences on which further tax might be due in respect of investments in subsidiaries and branches is estimated at R82 billion ((2016: R78 billion); (2015: R84 billion)), of which R40 billion relates to continuing operations and R42 billion to discontinued businesses. It is not expected that the disposals of Wealth Management and Nedbank as a result of Managed Separation will give rise to corporate tax charge and there is therefore no requirement to provide for any associated tax. As the Group is able to control the reversal of temporary differences in respect of investments in the continuing operations there is no need to provide for any associated deferred tax liabilities.

## H8: Trade, other payables and other liabilities

		(R million)		
	Note	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Amounts payable on direct insurance business</b>				
Funds held under reinsurance business ceded		1	232	260
Amounts owed to policyholders		3,912	6,676	6,618
Amounts owed to intermediaries		786	1,391	2,106
Other direct insurance operation creditors		1,016	291	571
		5,715	8,590	9,555
Accounts payable on reinsurance business		913	801	718
Accruals and deferred income		3,470	6,275	8,219
Post-employment benefits	J1	634	1,389	978
Liability for long-service leave		–	814	732
Share-based payments – cash-settled scheme liabilities		–	–	2,923
Short trading securities, spot positions and other		–	2,351	3,916
Trade creditors		312	17,059	6,850
Outstanding settlements		8,547	13,484	15,801
Securities sold under agreements to repurchase		101	10,506	7,565
Obligations in relation to collateral holdings		4,977	8,324	2,597
Other liabilities		17,686	17,085	25,674
		42,355	86,678	85,528

At 31 December 2017, total trade, other payables and other liabilities of R38,256 million attributable to Nedbank and Old Mutual Wealth have been transferred to liabilities held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

Included in the amounts shown above are R36,777 million (2016: R51,641 million; 2015: R78,951 million) that are regarded as current, with the remainder regarded as non-current.

## H9: Equity

### Share capital

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

#### (a) Issued share capital

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
4,932.7 million (2016: 4,929.9 million; 2015: 4,928.6 million) issued ordinary shares of 11½p each	10,150	10,145	10,142

#### (b) Perpetual preferred callable securities

On 3 February 2017, the Group repurchased all of its outstanding Tier 1 preferred perpetual callable securities using cash from the Group's existing resources. In addition to repaying the nominal value of the securities, R499 million was paid to holders of the securities for accrued interest and a market premium in excess of nominal value. The premium was recognised directly in equity.

# H10: Non-controlling interests

## (a) Profit or loss

### (i) Ordinary shares

The non-controlling interests' share of profit for the financial year has been calculated on the basis of the Group's effective ownership of the subsidiaries in which it does not own 100% of the ordinary equity. The principal subsidiaries where a non-controlling interest exists is Nedbank, the Group's South African banking business and OM Asset Management plc, the Group's US asset management business. For the year ended 31 December 2017 the non-controlling interests attributable to ordinary shares was R5,402 million (2016: R5,026 million; 2015: R5,678 million).

### (ii) Preferred securities

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Nedbank</b>			
R3,222 million (2016: R3,560 million) non-cumulative preference shares	338	361	371
R2,000 million (2016: Rnil) subordinated callable notes	252	78	–
	<b>590</b>	<b>439</b>	<b>371</b>

## (b) Statement of financial position

### (i) Ordinary shares

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Reconciliation of movements in non-controlling interests</b>			
Balance at beginning of the year	47,012	45,237	33,589
Non-controlling interests' share of profit	5,402	5,026	5,678
Non-controlling interests' share of dividends paid	(3,027)	(2,969)	(2,744)
Disposal of interest in OM Asset Management plc	(9,432)	3,056	2,229
Acquisition of businesses	–	–	2,044
Change in participation in subsidiaries	1,595	–	1,406
Foreign exchange and other movements	(640)	(3,338)	3,035
<b>Balance at end of the year</b>	<b>40,910</b>	<b>47,012</b>	<b>45,237</b>

### (ii) Preferred securities

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
<b>Nedbank</b>			
358.3 million (2016: 358.3 million) non-cumulative preference shares	3,561	3,561	3,561
Repurchased by Nedbank subsidiaries	(339)	(339)	–
	<b>3,222</b>	<b>3,222</b>	<b>3,561</b>
R2,600 million Tier 1 perpetual subordinated instruments	2,635	2,000	–
<b>Total</b>	<b>5,857</b>	<b>5,222</b>	<b>3,561</b>

Preferred securities are held at the value of consideration received less unamortised issue costs and are stated net of securities held by Group companies.

**Non-cumulative preference shares**

These preference shares were issued by Nedbank Limited (Nedbank), the Group's banking subsidiary.

Each preference share confers on the holder the right to capital of the company in the form of a cash dividend prior to payment of dividends to any other class of shareholder. The rate is limited to 83.33% of the prevailing prime rate on a deemed value of R10 and is never compounded. The dividends, if declared, accrue half-yearly on 30 June and 31 December and are payable within 120 days of these dates respectively.

If a preference dividend is not declared, the dividend will not accumulate and will never become payable by the company, whether in preference to payments to any other class of share or otherwise.

Each preference share confers on the holder the right to a return of capital on the winding-up of the company prior to any payment to any other class of share, but holders are not entitled to any further participation in the profits, assets or any surplus assets of the Company in such circumstances.

Preference shareholders are only entitled to vote during periods when a dividend or any part of it remains unpaid after the due date for payment or when resolutions are proposed that directly affect any rights attaching to the shares or the rights of the holders.

**Tier 1 perpetual subordinated instruments**

On 20 May 2016, Nedbank Limited issued a R1,500 million new-style (Basel III-compliant) additional Tier 1 capital instrument at 3-month JIBAR plus 7.0% with a call date of 21 May 2021.

On 25 November 2016, Nedbank Limited issued a R500 million new-style (Basel III-compliant) additional Tier 1 capital instrument at 3-month JIBAR plus 6.3% with a call date of 26 November 2021.

On 30 June 2017, Nedbank Limited issued a R600 million new-style (Basel III-compliant) additional Tier 1 capital instrument at 3-month JIBAR plus 5.65% with a call date of 1 July 2022.

These additional Tier 1 capital instruments represent perpetual, subordinated instruments, with no redemption date. The instruments are redeemable subject to regulatory approval at the sole discretion of the issuer, Nedbank Limited from the applicable call date and following a regulatory event or following a tax event. The payment of interest is at the discretion of the issuer and interest payments are non-cumulative. In addition, if certain conditions are reached the regulator may prohibit Nedbank from making interest payments. Accordingly the instruments are classified as equity instruments and disclosed as non-controlling interest.

## I: Interests in subsidiaries, associates and joint arrangements

### **Critical accounting estimates and judgements – Investments in subsidiaries, associated undertakings and joint arrangements**

The Group has applied the following key judgements in the application of the requirements of the consolidation set of standards (IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements'):

#### **Consolidation of investment funds and securitisation vehicles**

The Group acts as a fund manager to a number of investment funds. In determining whether the Group controls such a fund, it will focus on an assessment of the aggregate economic interests of the Group (comprising any carried interests and expected management fees) and the investor's rights to remove the fund manager. This general assessment is supplemented by an assessment of third-party rights in the investment funds, with regards to their practical ability to allow the Group not to control the fund. The Group assesses, on an annual basis, such interests to determine if the fund will be consolidated. The non-controlling interests in investment funds consolidated by the Group are classified as third-party interests in consolidated funds, a financial liability, in the consolidated statement of financial position. These interests are classified at fair value through profit or loss and measured at fair value, which is equal to the bid value of the number of units of the investment funds' scheme not owned by the Group. Any investments held in Old Mutual plc shares are treated as treasury shares and are eliminated as a direct decrease in the value of equity and the value of investment and securities.

The Group has sponsored certain asset backed financing (securitisation) vehicles under its securitisation programme which are run according to pre-determined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of junior debt securities in the vehicles. It has concluded that it controls these vehicles and therefore has consolidated these asset backed financing vehicles.

#### **Structured entities**

The Group is required to make judgements on what constitutes a structured entity. Accounting standards define a structured entity as an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an economic interest, the Group considers numerous factors. These factors may include the purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee and the size of its exposure to the variability of returns of the investee. The Group has evaluated all exposures and has concluded that all investments in investment funds as well as certain securitisation vehicles and other funding vehicles represent investments in structured entities. Information on structured entities is included in note I3.

#### **Accounting for the investments in Zimbabwe**

Following recent political developments in Zimbabwe, the current macro-economic situation remains fluid, and the market reaction remains volatile. The current risks for our Zimbabwean businesses include the shortage of US dollars, uncertainty of the current levels and growth of equity markets and property prices and reputational issues arising from the postponement of all bonus declarations in light of the current market uncertainty.

At 31 December 2017, the Zimbabwe business had total assests of R38.2 billion (2016: R30.1 billion; 2015: R30.5 billion), including R17.3 billion (2016: R8.0 billion; 2015: R5.7 billion) of listed financial assets held at fair value and total liabilities of R31.1 billion (2016: R24.7 billion; 2015: 25.6 billion), including R18.3 billion (2016: R13.1 billion; R13.1 billion) of policyholder liabilities which are backed by primarily investment and securities held by the business.

The Group has concluded on the following key judgements in the preparation of the Group financial statements: the control and functional currency of the Zimbabwean businesses and the fair value of locally listed financial assets and liabilities.

The Group has concluded that it will consolidate the Zimbabwean businesses as it still has the ability to exercise control. The functional currency of the Zimbabwean businesses, consistent with prior years, is US Dollars. This is evidenced by trade in Zimbabwe being principally conducted in US dollar and that all major goods and services are priced in US Dollar.

The fair value of any financial assets or liabilities was based on the unadjusted quoted prices as the Group believes the traded prices represent fair value in an active and orderly market. The Group has evidenced this through reviewing the volume and value of trades conducted on the Zimbabwe Stock Exchange (ZSE).

The value of the ZSE index was 144.53 at 31 December 2016, 195.97 at 30 June 2017 and 323.98 at 31 December 2017. Subsequent to year end the ZSE index was 294.55 at 28 February 2018. The ZSE index provides the underlying context of the investment returns earned by the Zimbabwean business.

## 11: Subsidiaries

### (a) Principal subsidiaries and Group enterprises

The following table lists the principal Group undertakings whose results are included in the consolidated financial statements. All shares held are ordinary shares and, except for OM Group (UK) Limited and Old Mutual Wealth Management Limited, are held indirectly by the Company.

Name	Nature of business	Percentage holding	Country of incorporation
Old Mutual Group Holdings (SA) (Pty) Limited	Holding company	100	Republic of South Africa
AIVA Holding Group S.A	Holding company	100	Panama
Faulu Microfinance Bank Limited	Lending	67	Kenya
Old Mutual Insure Limited	Property & casualty	100	Republic of South Africa
Nedbank Group Limited <sup>1,4</sup>	Banking	55	Republic of South Africa
Nedbank Limited <sup>2,4</sup>	Banking	100	Republic of South Africa
Banco Único, SA <sup>4</sup>	Banking	50	Republic of Mozambique
Old Mutual (Africa) Holdings (Pty) Limited	Holding company	100	Republic of South Africa
Old Mutual (Netherlands) B.V.	Holding company	100	Netherlands
Old Mutual Emerging Markets Limited	Holding company	100	Republic of South Africa
Old Mutual Finance (Pty) Ltd	Lending	75	Republic of South Africa
Old Mutual Investment Group (Pty) Limited	Asset management	100	Republic of South Africa
Old Mutual Investment Group Holdings (Pty) Limited	Holding company	100	Republic of South Africa
Old Mutual Life Assurance Company (Namibia) Limited	Life assurance	100	Namibia
Old Mutual Life Assurance Company (South Africa) Limited	Life assurance	100	Republic of South Africa
Old Mutual Wealth Management Limited <sup>4</sup>	Holding company	100	England and Wales
Old Mutual Zimbabwe Limited	Life assurance	75	Zimbabwe
OM Group (UK) Limited	Holding company	100	England and Wales
OM Latin America Holdco UK Limited	Holding company	100	England and Wales
Quilter Cheviot Limited <sup>4</sup>	Asset management	100	England and Wales
UAP Holdings Limited <sup>3</sup>	Holding company	61	Kenya

1. Nedbank Group Limited is a publicly listed company, with its primary listing on the JSE (Johannesburg, South Africa).

2. Nedbank Limited is a 100% subsidiary of Nedbank Group Limited. The Group's effective ownership is 55%.

3. Two significant minority anchor shareholders in UAP have the rights to collectively put up to an aggregate 6% shareholding in UAP to the Group at any time before the third anniversary of the effective date of the UAP shareholders agreement (i.e. in September 2018), while the Group owns less than a 66.67% shareholding in UAP at a price determinable in accordance with the UAP shareholders' agreement. The exercise price of the minority anchor shareholders' put option at the Last Practicable Date is in the order of R400 million.

4. Entities are part of the businesses classified as held for distribution.

All the above companies have a year-end of 31 December and their financial results have been incorporated and are included in the Group financial statements from the effective date that the Group controls the entity.

There are certain funds in which the Group owns more than 50% of the equity but does not consolidate these because of certain management contracts which give other parties the power to control these funds. These management contracts may include that the ability to control is delegated to a third party with no rights of removal on similar types of contractual agreements.

(b) **Non-controlling interests in subsidiaries**

The following table summarises the information relating to the Group's subsidiaries that have material non-controlling interests:

	(R million)						
At 31 December 2017	Nedbank Group Limited	OM Asset Management plc	Old Mutual Finance (Pty) Limited	UAP Holdings Limited <sup>1</sup>	Other subsidiaries	Total Emerging Markets	Total
<b>Consolidated statement of financial position</b>							
Total assets	980,140	–	10,858	6,987	107,828	125,673	1,105,813
Total liabilities	(891,736)	–	(8,780)	(4,725)	(90,703)	(104,208)	(995,944)
<b>Net assets</b>	88,404	–	2,078	2,262	17,125	21,465	109,869
<b>Non-controlling interests</b>	43,047	–	1,039	1,341	1,340	3,720	46,767
<b>Consolidated income statement</b>							
Total revenue	99,300	3,654	3,670	2,658	28,759	35,087	138,041
Profit before tax	16,574	514	823	274	4,562	5,659	22,747
Income tax expense	(4,227)	(101)	(274)	(69)	(806)	(1,149)	(5,477)
<b>Profit after tax for the financial year</b>	12,347	413	549	205	3,756	4,510	17,270
<b>Non-controlling interests</b>	5,936	34	138	(375)	259	22	5,992

	(R million)						
At 31 December 2016	Nedbank Group Limited	OM Asset Management plc	Old Mutual Finance (Pty) Limited	UAP Holdings Limited <sup>1</sup>	Other subsidiaries	Total Emerging Markets	Total
<b>Consolidated statement of financial position</b>							
Total assets	962,897	33,215	14,276	7,715	64,616	86,607	1,082,719
Total liabilities	(881,360)	(14,700)	(10,665)	(5,341)	(58,817)	(74,823)	(970,883)
<b>Net assets</b>	81,537	18,515	3,611	2,374	5,799	11,784	111,836
<b>Non-controlling interests</b>	38,998	9,598	965	1,847	826	3,638	52,234
<b>Consolidated income statement</b>							
Total revenue	96,922	9,766	3,847	2,830	16,841	23,518	130,206
Profit before tax	14,690	2,471	817	199	3,169	4,185	21,346
Income tax (expense)/credit	(3,966)	(598)	(299)	(40)	(518)	(857)	(5,421)
<b>Profit after tax for the financial year</b>	10,724	1,873	518	159	2,651	3,328	15,925
<b>Non-controlling interests</b>	5,089	626	(139)	(59)	(52)	(250)	5,465

	(R million)						
At 31 December 2015	Nedbank Group Limited	OM Asset Management plc	Old Mutual Finance (Pty) Limited	UAP Holdings Limited <sup>1</sup>	Other subsidiaries	Total Emerging Markets	Total
<b>Consolidated statement of financial position</b>							
Total assets	922,681	33,680	9,378	7,507	59,168	76,053	1,032,414
Total liabilities	(844,163)	(12,824)	(7,919)	(4,837)	(45,796)	(58,552)	(915,539)
<b>Net assets</b>	<b>78,518</b>	<b>20,856</b>	<b>1,459</b>	<b>2,670</b>	<b>13,372</b>	<b>17,501</b>	<b>116,875</b>
<b>Non-controlling interests</b>	<b>36,857</b>	<b>7,464</b>	<b>890</b>	<b>2,601</b>	<b>986</b>	<b>4,477</b>	<b>48,798</b>
<b>Consolidated income statement</b>							
Total revenue	81,974	8,941	3,846	1,230	8,453	13,529	104,444
Profit before tax	14,739	2,050	879	156	839	1,874	18,663
Income tax (expense)/credit	(3,534)	(527)	(274)	20	(351)	(605)	(4,666)
<b>Profit after tax for the financial year</b>	<b>11,205</b>	<b>1,523</b>	<b>605</b>	<b>176</b>	<b>488</b>	<b>1,269</b>	<b>13,997</b>
<b>Non-controlling interests</b>	<b>5,191</b>	<b>513</b>	<b>152</b>	<b>98</b>	<b>95</b>	<b>345</b>	<b>6,049</b>

1. The financial information of UAP Holdings Limited (UAP) represents the results of UAP for year ended 31 December 2017 and the consolidated statement of financial position at 31 December 2017 as consolidated by the Group. This consolidated result may vary significantly from the full year results published by UAP due to acquisition entries recognised by the Group.



During the year ended 31 December 2017, dividends of R2,844 million (2016: R2,610 million; 2015: R2,490 million) was paid to non-controlling interests in Nedbank Group Limited and R62 million (2016: R197 million; 2015: R139 million) was paid to the non-controlling interest in OM Asset Management plc (OMAM) up to 19 May 2017, the date OMAM was deconsolidated from the Group. Refer to note A2 for more information on the disposal of OMAM.

**(c) Restrictions on the Group's ability to obtain funds from its subsidiaries**

Statutory and regulatory restrictions in terms of the South African Reserve Bank controls and solvency restrictions imposed by the Financial Services Board in South Africa to comply with statutory capital statutory requirements restrict the amount of funds that can be transferred out of South Africa to the Group. In addition, the banking subsidiary companies are restricted by Basel regulations and prudential requirements with regard to the distributions of funds to their holding company. Regulated entities may only be permitted to remit dividends in terms of local capital requirements and/or permission being obtained from the regulator to distribute such funds.

The non-controlling interests do not have any ability to restrict the cash flows to the Group.

**(d) Guarantees provided by the Group to subsidiaries**

No significant guarantees have been provided by the Group during the financial year.

The Group provides financial support in certain cases where funds require seed capital and also provides liquidity funding in the case of large divestments from unit trust funds.

**(e) Loss of control of subsidiaries**

During the year ended 31 December 2017, the Group sold down its stake in OMAM through a series of transactions as described in note A2. As a result, the Group no longer considered that it exercised control over the business, in accordance with the requirements set out in IFRS 10 'Consolidated Financial Statements', from 19 May 2017. This resulted in OMAM being deconsolidated from the Group financial statements from this date. On 18 November 2017, the Group's stake in OMAM further reduced to 1,000 shares which have been accounted for as investments and securities within the plc Head Office segment. Refer to note A2 and note B1 for more information.

## 12: Investments in associated undertakings and joint ventures

### (a) Equity accounted and fair value investments in associated undertakings and joint ventures.

The Group's equity accounted and fair value investments in associated undertakings and joint ventures are as follows:

At 31 December 2017	Nature of activities	Percentage holding	Measurement method	Carrying amount R million	Group share of profit R million
<b>Private equity associates and associate companies</b>					
<b>Individually immaterial associates</b>					
<b>Unlisted</b>					
Kotak Mahindra Old Mutual Life Insurance <sup>1,5</sup>	Life assurance	26%	Equity accounted	–	181
Two Rivers Lifestyle Centre <sup>2</sup>	Property	50%	Equity accounted	522	(24)
Squarestone Growth LLP <sup>3</sup>	Property	32%	Equity accounted	295	11
Kabokweni Plaza Shareblock Proprietary Limited <sup>4</sup>	Property	49%	Equity accounted	92	12
Newtown Motor Dealership (Pty) Ltd <sup>4</sup>	Property	50%	Equity accounted	96	–
Other individually immaterial associates					
Private-equity associates (Property investment)	Various		Fair value		
Other				215	21
<b>Total investment in associate undertakings</b>				<b>1,220</b>	<b>201</b>
<b>Joint ventures</b>					
<b>Unlisted</b>					
Old Mutual Guodian Life Insurance Company Ltd <sup>4</sup>	Life assurance	50%	Equity accounted	569	(41)
<b>Total investment in associate undertakings</b>				<b>569</b>	<b>(41)</b>
<b>Total investments in associates and joint ventures</b>				<b>1,789</b>	<b>160</b>

1. Country of operation: India.

2. Country of operation: Kenya.

3. Country of operation: United Kingdom.

4. Country of operation: Republic of South Africa.

5. On 13 October 2017, the Group completed the sale of its 26% stake in Kotak to its joint venture partner Kotak Mahindra Bank Limited. The conclusion of the transaction also terminated the joint venture arrangement, extinguishing the respective put and call option arrangements between the parties relating to a 23% stake in the joint venture. Refer to note A2 for more information.

Of the total carrying value of associates and joint ventures, Rnil (2016: R2,357 million; 2015: R1,162 million) relates to those which are measured at fair value and R1,789 million (2016: R6,826 million; 2015: R10,574 million) relates to those which have been equity accounted. All of the joint ventures are strategic in the Group's underlying operating model. The joint ventures are evaluated according to the Groups' contractual rights to jointly control the entity.

At 31 December 2016	Nature of activities	Percentage holding	Measurement method	Carrying amount R million	Group share of profit R million
<b>Private equity associates and associate companies</b>					
<b>Listed</b>					
Ecobank Transnational Incorporated	Banking	21%	Equity accounted	3,978	n/a
<b>Individually immaterial associates</b>					
<b>Unlisted</b>					
Kotak Mahindra Old Mutual Life Insurance	Life assurance	26%	Equity accounted	763	177
Two Rivers Lifestyle Centre	Property	50%	Equity accounted	916	–
Masingita Property Investment Holdings (Pty) Ltd	Property Development	35%	Fair value	279	–
Odyssey Developments (Pty) Ltd	Property Development	49%	Fair value	62	–
Other individually immaterial associates					
Private-equity associates (Manufacturing, industrial, leisure and other)	Various		Fair value	608	–
Private-equity associates (Property investment)	Various		Fair value	1,230	–
Other				686	17
<b>Total investment in associate undertakings</b>				<b>8,522</b>	<b>194</b>
<b>Joint ventures</b>					
<b>Unlisted</b>					
Old Mutual Goudian Life Insurance Company Ltd	Life assurance	50%	Equity accounted	610	(41)
Banco Unico, S.A.	Banking	38%	Equity accounted	–	38
Curo Fund Services (Pty) Ltd	Asset Management	50%	Equity accounted	51	–
<b>Total investment in associate undertakings</b>				<b>661</b>	<b>(3)</b>
<b>Total investments in associates and joint ventures</b>				<b>9,183</b>	<b>191</b>

At 31 December 2015	Nature of activities	Percentage holding	Measurement method	Carrying value R million	Group share of profit R million
<b>Private equity associates and associate companies</b>					
<b>Listed</b>					
Ecobank Transnational Incorporated	Banking	22%	Equity accounted	7,808	n/a
<b>Individually immaterial associates</b>					
<b>Unlisted</b>					
Kotak Mahindra Old Mutual Life Insurance	Life assurance	26%	Equity accounted	821	144
Heitman LLC	Asset Management	50%	Equity accounted	502	n/a
Masingita Property Investment Holdings (Pty) Ltd	Property Development	35%	Fair value	172	–
Odyssey Developments (Pty) Ltd	Property Development	49%	Fair value	56	–
<b>Other individually immaterial associates</b>					
Private-equity associates (Manufacturing, industrial, leisure and other)	Financial services	25%	Equity accounted	494	–
Private-equity associates (property investment)	Financial services	23%	Equity accounted	293	–
Other				318	103
<b>Total investments in associate undertakings</b>				10,464	247
<b>Joint ventures</b>					
<b>Unlisted</b>					
Old Mutual Goudian Life Insurance Company Ltd	Life assurance	50%	Equity accounted	867	37
Banco Unico, S.A.	Banking	38%	Equity accounted	359	–
Curo Fund Services	Asset Management	50%	Equity accounted	46	–
<b>Total investments in associate undertakings</b>				1,272	37
<b>Total investments in associates and joint ventures</b>				11,736	284

(b) **Aggregate financial information of material investments in associated undertakings and joint ventures**

The aggregate financial information for material investments in associated undertakings and joint ventures is as follows:

	(R million)		
	Ecobank Transnational Incorporated		
31 December	2017	2016	2015
Fair-value of investment in Ecobank Transnational Incorporated based on the closing quoted price on the Nigerian Stock Exchange	3,597	2,438	6,916
<b>Statement of comprehensive income</b>			
Revenue	18,002	20,786	20,679
Profit from continuing operations	2,513	3,150	3,970
Post-tax loss from discontinued operations	9	(29)	(14)
Other comprehensive income/(loss)	1,397	(9,388)	(3,516)
Total comprehensive income/(loss)	3,919	(6,267)	440
<b>Statement of financial position</b>			
Current assets	146,768	164,090	209,119
Non-current assets	110,813	122,726	155,964
Current liabilities	124,023	140,882	172,628
Non-current liabilities	108,558	119,312	150,992
Net assets	25,000	26,622	41,463

As in previous financial years, one of the Group's associate investments, ETI, will report results for the year ended 31 December 2017 subsequent to the release of the Group's audited consolidated financial statements. Therefore, as allowed by IAS 28, the Group uses the most recent public information of ETI as at 30 September 2017 (i.e. a quarter in arrears) to determine its share of ETI's earnings. In addition, as required by IAS 28, the Group considers whether adjustments for significant transactions or events between 30 September 2017 and 31 December 2017 are required based on publicly available information. The resulting equity accounted earnings is translated from US dollar to rand at the average exchange rate applicable for the quarter in which the Group accounts for the earnings. The Group's share of the net assets of ETI is translated from US dollars to rand at the closing exchange rate.

After application of the equity method, an entity determines whether there are indicators of impairment in terms of IAS 39. If impairment is indicated, the amount to be recognised as an impairment loss is calculated by reference to IAS 36. In terms of IAS 39 indicators of impairment include a significant or prolonged decline in the fair value of an associate below its carrying value. In addition, information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate operates are also indicators that the carrying value of the associate may not be recovered.

The carrying value of the Group's strategic investment in ETI decreased from R4.0 billion to R3.3 billion during the year, due to a combination of the rand strengthening against the US dollar and the Group's share of losses incurred by ETI during the 12 months to 30 September 2017.

The market value of the Group's investment in ETI, based on its quoted share price, was R3.6 billion on 31 December 2017 and R4.1 billion on 28 February 2018. Based on the Group's 2016 value-in-use (VIU) calculation, management determined that an impairment provision of R1.0 billion was appropriate. This reduced the carrying value of the Group's investment in ETI to R4.0 billion at 31 December 2016. This calculation is required to be revisited at each reporting period where the indicators of impairment are reconsidered and the VIU calculation reassessed taking into account any future changes in estimates and assumptions.

Based on management's 2017 assessment, there are no observable indicators of further impairment at 31 December 2017 and insufficient observable indicators that the impairment loss recognised in 2016 has decreased. The R1.0 billion impairment recognised in 2016 has therefore not been reversed in the current reporting period. ETI has been an important long-term investment for Nedbank, providing our clients with a pan-African transactional banking network across 39 countries and access to dealflow in Central and West Africa since its acquisition in 2014. The Group remain supportive of ETI's endeavours of delivering an ROE in excess of its COE in due course. Conditions in the key markets in which ETI operates have improved in 2017 and management expects further improvements in 2018 and beyond.

**(c) Aggregate financial information of other investment in associated undertakings and joint ventures**

At 31 December 2017, the Group's investment in Ecobank Transnational Incorporated (ETI) has been classified as assets held for sale and distribution as part of the assets of Nedbank. The carrying value of the investment in ETI at 31 December 2017 was R3,320 million. The aggregate financial information for ETI is as follows:

	(R million)		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Total assets	28,484	70,316	72,352
Total liabilities	(19,984)	(61,203)	(59,918)
Total revenues	7,507	13,931	9,190

**(d) Aggregate Group investment in associated undertakings and joint ventures**

The aggregate amounts for investment in associated undertakings and joint ventures at 31 December 2017 presented in the table below are in respect of the Group's continuing operations. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for the aggregate amounts for investment in associated undertakings and joint ventures in respect of businesses classified as held for distribution. The comparative information presented at 31 December 2017, therefore includes the capital commitments for the composition of the Group as at 31 December 2016 and 31 December 2015.

	(R million)		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Balance at beginning of the year	9,183	11,736	9,326
Net additions of investment in associated undertakings and joint ventures	1,038	1,866	601
Share of profit after tax	(619)	306	1,317
Transfer of investments in associate companies to investments in subsidiaries	–	(259)	–
Impairment provision for investments in associate companies	–	(1,000)	–
Dividends paid	(65)	(383)	(138)
Disposal of investment in associated undertakings and joint ventures	(988)	–	–
Foreign exchange and other movements	7	(2,563)	630
Transfer to assets held for sale and distribution <sup>1</sup>	(6,767)	(520)	–
<b>Balance at end of the year</b>	<b>1,789</b>	<b>9,183</b>	<b>11,736</b>

1. At 31 December 2017, investments in associated undertakings and joint ventures attributable to Nedbank have been transferred to assets held for sale and distribution in the consolidated statement of financial position. At 31 December 2016, investments in associated undertakings and joint ventures attributable to Institutional Asset Management were transferred to assets held for sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

The above table includes those investments that are carried at fair value. The Group has no significant investments in which it owns less than 20% of the ordinary share capital that it accounts for using the equity method.

**(e) Restriction on the Group's ability to obtain funds from its associate undertakings and joint ventures**

Statutory and regulatory restrictions in terms of the South African Reserve Bank controls and solvency restrictions imposed by the Financial Service Board in South Africa to comply with statutory capital requirements, restrict the amount of funds that can be transferred out of the country to the Group. In addition, the banking subsidiary companies are restricted by Basel regulations and prudential requirements with regard to the distributions of funds to their holding company. Regulated entities may only be permitted to remit dividends in terms of local capital requirements and/or permission being obtained from the regulator to distribute such funds.

No significant guarantees were provided by the Group to associated undertakings and joint ventures during the financial year.

**(f) Contingent liabilities and commitments**

At 31 December 2017, 31 December 2016 and 31 December 2015, the Group had no significant contingent liabilities or commitments relating to investments in associated undertakings and joint ventures.

**(g) Other Group holdings**

The above does not include companies whereby the Group has a holding of more than 20%, but does not have significant influence over these companies by virtue of the Group not having any direct involvement in decision making or the other owners possessing veto rights.

**13: Structured entities**

**(a) Group's involvement in structured entities**

In structured entities voting rights are not the predominant factor in deciding who controls the entity but rather the Group's exposure to the variability of returns from these entities. The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of decision-making rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the Group in the fund in the form of interest held and exposure to variable returns.

In most instances the Group's decision-making authority, in its capacity as fund manager, with regard to these funds is regarded to be well-defined. Discretion is exercised when decisions regarding the relevant activities of these funds are being made. For funds managed by the Group where the investors have the right to remove the Group as fund manager without cause, the fees earned by the Group, are considered to be market related. These agreements include only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's length basis. The Group has concluded that it acts as agent on behalf of the investors in all instances.

The Group is considered to be acting as principal where the Group is the fund manager and is able to make the investment decisions on behalf of the unit holders, earn a variable fee, and there are no kick out rights that would remove the Group as fund manager.

The Group has not provided any non-contractual support to any consolidated or unconsolidated structured entities. The Group has committed to providing certain liquidity facilities for certain securitisation vehicles.

The table below summarises the types of structured entities the Group does not consolidate, but may have an interest in:

Type of structured entity	Nature	Purpose	Interest held by the Group
Securitisation vehicles for loans and advances	Finance the Group's own assets through the issue of notes to investors	Generate: <ul style="list-style-type: none"> <li>– Funding for the Group's lending activities</li> <li>– Margin through sale of assets to investors</li> <li>– Fees for loan servicing</li> </ul>	Investment in senior and junior notes issued by the vehicles
Investment funds	Manage client funds through the investment in assets	Generate fees from managing assets on behalf of third-party investors	Investments in units issued by the fund
Securitisation vehicles for third-party receivables	Finance third party receivables and are financed through loans from third party note holders and bank borrowing	Generate fees from arranging the structure. Interest income may be earned on the notes held by the Group	Interest in these vehicles is through notes that are traded in the market
Security vehicles	Hold and realise assets as a result of the default of a client	These entities seek to protect the collateral of the Group on the default of a loan	Ownership interest will be in proportion of the lending. At 31 December 2017, the Group held no value in security vehicles
Clients investment entities	Hold client investment assets	Generates various sources of income for the Group	None
Black Economic Empowerment (BEE) funding	Fund the acquisition of shares by a BEE partner	Generates interest on the funding provided	Loans to BEE schemes

The Group's holdings in investment vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles. All of the investment vehicles in the investment portfolios are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance based incentive fee, and is reflected in the valuation of the investment vehicles.



(b) **Securitisation vehicles consolidated in the Group's statement of financial position**

**Nedbank Securitisations**

Nedbank Group Ltd, which has been classified as held for distribution at 31 December 2017, uses securitisation primarily as a funding diversification tool and to add flexibility in mitigating structural liquidity risk. The Group currently has four active traditional securitisation transactions:

- Greenhouse Funding (RF) Limited (Greenhouse), a residential-mortgage-backed securitisation programme;
- Greenhouse Funding III (RF) Limited (Greenhouse III), a residential-mortgage-backed securitisation programme;
- Precinct Funding 1 (RF) Limited (Precinct Funding 1), a commercial-mortgage-backed securitisation programme; and
- Precinct Funding 2 (RF) Limited (Precinct Funding 2), a commercial-mortgage-backed securitisation programme.

**Synthesis Funding Ltd**

Synthesis primarily invests in long-term rated bonds and offers capital market funding to SA corporates. These assets are funded through the issuance of short-dated investment-grade commercial paper to institutional investors. During 2017 all the remaining assets were sold and the commercial paper was repaid. As at 31 December 2017 Synthesis' operations had ceased and the company was dormant.

**Greenhouse Funding (RF) Limited (Greenhouse)**

Greenhouse was a securitisation vehicle through which the rights, title, interest and related security in respect of residential home loans were acquired from Nedbank Limited under a segregated-series-medium-term-note programme.

During December 2007 the first Greenhouse transaction was created and R2 billion of home loans from Nedbank Limited were securitised. Greenhouse was subsequently restructured and refinanced on 19 November 2012 as a static amortising structure. The proceeds from the refinance of this transaction, through the issuance of new notes and subordinated loans, were utilised to repay the R1 billion existing notes and subordinated loans on their scheduled maturity, and to acquire additional home loans from Nedbank Limited. The senior notes, which were rated by Moody's and listed on the JSE, were placed with third-party investors, and the junior notes and subordinated loans retained by the Group. The home loans transferred to Greenhouse had continued to be recognised as financial assets held by Nedbank Limited.

The maturity of the Greenhouse securitisation transaction was on 25 October 2017. As such all the outstanding notes issued by Greenhouse have been redeemed.

**Greenhouse Funding III (RF) Limited (Greenhouse III)**

Greenhouse III is a securitisation vehicle through which the rights, title, interest and related security in respect of residential home loans were acquired from Nedbank Limited under a segregated-series-medium-term-note programme.

Greenhouse III is a residential-mortgage-backed securitisation programme implemented during 2014. Greenhouse III securitised R2 billion worth of home loans originated by Nedbank Limited through the issuance of senior notes to the capital market and subordinated notes and a subordinated loan provided by Nedbank Limited. The notes issued by Greenhouse III are listed on the JSE and rated by Moody's. The home loans transferred to Greenhouse III continue to be recognised as financial assets held by Nedbank Limited.

Greenhouse III makes use of an internal risk management policy, and utilises the Nedbank Group credit risk monitoring process to govern lending activities to external parties.

Nedbank Limited provided Greenhouse III with an interest-bearing subordinated loan at the commencement of the programme to provide part of the initial funding. Interest is payable on a quarterly basis, as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final maturity date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

In the Greenhouse III structure Nedbank holds the class D note, amounting to R100 million. These notes are subordinated to the higher-ranking notes in terms of the priority of payments.

### **Precinct Funding 1 (RF) Limited (Precinct Funding 1)**

Precinct Funding 1 is a commercial-mortgage-backed securitisation programme (CMBS). The originator, seller and servicer of the commercial property mortgage loan portfolio is Nedbank CIB Property Finance, the market leader in commercial property finance in SA.

The Precinct Funding 1 CMBS Programme was implemented during 2013. Precinct Funding 1 securitised R3 billion worth of commercial property loans originated by Nedbank Limited through the issuance of senior notes to the capital market and subordinated notes and a subordinated loan provided by Nedbank Limited. The notes issued by Precinct Funding 1 are listed on the JSE and rated by Moody's. The class A and class B notes were placed with third-party investors and the junior notes and subordinated loan retained by Nedbank Limited.

The Precinct Funding 1 structure takes the form of a static pool of small commercial property loans with limited substitution and redraws or further advance capabilities.

Precinct Funding 1 makes use of an internal risk management policy and utilises the Nedbank Group Limited credit risk monitoring process to govern lending activities to external parties. The primary measures used to identify, monitor and report on the level of exposure to credit risk include individual loan and loan portfolio aging and performance analysis, analysis of impairment adequacy ratios, analysis of loss ratio trends and analysis of loan portfolio profitability. The maximum credit exposure to credit risk in respect of the mortgage loans is the balance of outstanding advances before taking into account the value of collateral held as security against such exposures and impairments raised. The collateral held as security for the mortgage asset exposure is in the form of first indemnity bonds over fixed commercial property.

Nedbank Limited provided Precinct Funding 1 with an interest-bearing subordinated loan at the commencement of the programme to provide part of the initial funding. Interest is payable on a quarterly basis as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final maturity date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

Nedbank holds the class C and class D notes of Precinct Funding 1 amounting to R87 million. These notes are subordinated to the higher-ranking notes in terms of the priority of payments.

### **Precinct Funding 2 (RF) Limited (Precinct Funding 2)**

Precinct Funding 2 is a commercial-mortgage-backed securitisation programme (CMBS). The originator, seller and servicer of the commercial property mortgage loan portfolio is Nedbank CIB Property Finance, the market leader in commercial property finance in SA.

The Precinct Funding 2 CMBS Programme was implemented during 2017. Precinct Funding 2 securitised R1 billion worth of commercial property mortgage loans originated by Nedbank Limited through the issuance of senior notes to the capital market and subordinated notes and a subordinated loan provided by Nedbank Limited. The notes issued by Precinct Funding 2 are listed on the JSE and rated by Moody's. The class A and class B notes were placed with third-party investors and the junior notes and subordinated loan retained by Nedbank Limited.

In comparison to Precinct Funding 1, the Precinct Funding 2 Structure allows for more flexibility to substitute loans. However, loan substitutions are subject to certain portfolio covenants and eligibility criteria.

Precinct Funding 2 makes use of an internal risk management policy and utilises the Nedbank Group Limited credit risk monitoring process to govern lending activities to external parties. The primary measures used to identify, monitor and report on the level of exposure to credit risk include individual loan and loan portfolio aging and performance analysis, analysis of impairment adequacy ratios, analysis of loss ratio trends and analysis of loan portfolio profitability. The maximum credit exposure to credit risk in respect of the mortgage loans is the balance of outstanding advances before taking into account the value of collateral held as security against such exposures and impairments raised. The collateral held as security for the mortgage asset exposure is in the form of first indemnity bonds over fixed commercial property.

Nedbank Limited provided Precinct Funding 2 with an interest-bearing subordinated loan at the commencement of the programme to provide part of the initial funding. Interest is payable on a quarterly basis as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final maturity date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

Nedbank holds the class C and class D notes of Precinct Funding 2 amounting to R80 million. These notes are subordinated to the higher-ranking notes in terms of the priority of payments.

The following table shows the carrying amount of securitised assets together with the associated liabilities, or each category of asset in the statement of financial position<sup>1</sup>:

	(R million)					
	At 31 December 2017		At 31 December 2016		At 31 December 2015	
	Carrying amount of assets	Associated liabilities	Carrying amount of assets	Associated liabilities	Carrying amount of assets	Associated liabilities
<b>Loans and advances to customers</b>						
Residential mortgage loans	1,457	1,321	2,808	3,176	3,263	3,596
Commercial mortgage loans	1,321	1,350	979	1,283	1,280	2,277
<b>Other financial assets</b>						
Corporate and bank paper	–	–	203	–	1,714	–
Other securities	–	–	469	–	1,038	–
Commercial paper	–	–	–	671	–	2,749
<b>Total</b>	<b>2,778</b>	<b>2,671</b>	<b>4,459</b>	<b>5,130</b>	<b>7,295</b>	<b>8,622</b>

1. The value of any derivative instruments taken out to hedge any financial asset or liability is adjusted against such instrument in this disclosure.

The table above presents the gross balances within the securitisation schemes and does not reflect any elimination of intercompany and cash balances held by the various securitisation vehicles.

#### (c) Interest in unconsolidated structured entities

The Group invests in unconsolidated structured entities as part of its normal investment and trading activities. The Group's total interest in unconsolidated structured entities is classified as investments and securities held at fair value through profit or loss. The Group does not sponsor any of the unconsolidated structured entities. The table below provides a summary of the carrying value of the Group's interest in unconsolidated structured entities for both continuing operations and those classified as held for distribution:

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
Debt securities, preference shares and debentures to:	1,686	2,214	2,531
Equity securities – unlisted	1,983	1,749	1,386
Pooled investments	853,520	796,944	978,339
<b>Total</b>	<b>857,189</b>	<b>800,907</b>	<b>982,256</b>

The Group's maximum exposure to loss with regard to the interests presented above is the carrying amount of the Group's investments. Once the Group has disposed of its shares or units in a fund, it ceases to be exposed to any risk from that fund. The Group's holdings in the above unconsolidated structured entities are largely less than 50% and as such the net asset value of these structured entities are likely to be significantly higher than their carrying value.

#### (d) Other interests in unconsolidated structured entities

The Group receives management fees and other fees in respect of its asset management businesses that manage investments in which the Group has no holding. These also represent interests in unconsolidated structured entities. As these investments are not held by the Group, the investment risk is borne by the external investors and therefore the Group's maximum exposure to loss relates to future management fees. The Group does not sponsor any of the funds or investment vehicles from which it receives fees.

The table below shows the assets under management of entities that the Group manages but does not have a holding in and the fees earned from those entities. The information is presented for both continuing operations and those classified as held for distribution.

	(R million)					
	At 31 December 2017		At 31 December 2016		At 31 December 2015	
	Assets under management	Fees earned	Assets under management	Fees earned	Assets under management	Fees earned
Pooled investments	76,448	244	71,606	226	70,724	275
Unit trusts	76,448	244	71,606	226	67,037	212
Open Ended Investment Company (OEIC)	–	–	–	–	3,687	63
<b>Total</b>	<b>76,448</b>	<b>244</b>	<b>71,606</b>	<b>226</b>	<b>70,724</b>	<b>275</b>

**J: Other notes**

**J1: Post-employment benefits**

The Group operates a number of pension schemes around the world. These schemes 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. Pension costs and contributions relating to defined benefit schemes are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to each pension scheme, together with 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 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 and projected benefit obligations classified as held-for-sale or distribution for the year. At the end of the movement analysis, a single line item will indicate the value of the net plan assets that have been transferred to assets and liabilities held-for-sale or distribution.

**(a) Liability for defined benefit obligations**

Year ended 31 December	(R million)					
	Pension plans			Other post-retirement benefit schemes		
	2017	2016	2015	2017	2016	2015
<b>Changes in projected benefit obligation</b>						
<b>Projected defined benefit obligation at beginning of the year</b>	<b>10,476</b>	11,202	9,251	<b>4,066</b>	3,523	3,362
Acquisitions through business combinations	–	–	1,204	–	–	–
Current service cost	<b>40</b>	58	75	<b>121</b>	94	98
Interest cost on benefit obligation	<b>547</b>	624	496	<b>347</b>	310	255
Measurement (gains)/losses arising from experience adjustments	<b>(203)</b>	924	(326)	<b>(190)</b>	76	(125)
Benefits paid	<b>(604)</b>	(597)	(681)	<b>(140)</b>	(123)	(115)
Assets divested as a result of scheme buy-outs	<b>(4,013)</b>	–	–	–	–	–
Foreign exchange and other movements	<b>124</b>	(1,735)	1,183	<b>44</b>	186	48
<b>Projected defined benefit obligation at end of the year</b>	<b>6,367</b>	10,476	11,202	<b>4,248</b>	4,066	3,523
<b>Change in plan assets</b>						
<b>Plan assets at fair value at beginning of the year</b>	<b>13,092</b>	14,060	11,178	<b>3,769</b>	3,616	3,339
Acquisitions through business combinations	–	–	1,320	–	–	–

	(R million)					
	Pension plans			Other post-retirement benefit schemes		
Year ended 31 December	2017	2016	2015	2017	2016	2015
Actual return on plan assets	94	1,077	807	315	268	221
Company contributions	569	193	189	76	67	55
Employee contributions	11	13	10	–	–	–
Benefits paid	(604)	(597)	(681)	(140)	(123)	(115)
Liabilities divested as a result of scheme buy-outs	(3,910)	–	–	–	–	–
Foreign exchange and other movements	110	(1,654)	1,237	30	(59)	116
<b>Plan assets at fair value at end of the year</b>	<b>9,362</b>	<b>13,092</b>	<b>14,060</b>	<b>4,050</b>	<b>3,769</b>	<b>3,616</b>
<b>Net assets/(liabilities) of plan</b>	<b>2,995</b>	<b>2,616</b>	<b>2,858</b>	<b>(198)</b>	<b>(297)</b>	<b>93</b>
Unrecognised assets	(311)	(184)	(322)	–	–	–
Other amounts recognised in statement of financial position	(42)	(42)	(25)	–	–	(49)
Transfer to assets/liabilities held-for-sale and distribution <sup>1</sup>	(3,003)	–	–	603	–	–
<b>Net amount recognised in consolidated statement of financial position</b>	<b>(361)</b>	<b>2,390</b>	<b>2,511</b>	<b>405</b>	<b>(297)</b>	<b>44</b>
<b>Disclosed as follows:</b>						
– Within trade, other receivables and other assets	–	2,865	2,784	678	617	749
– Within trade, other payables and other liabilities	(361)	(475)	(273)	(273)	(914)	(705)
	<b>(361)</b>	<b>2,390</b>	<b>2,511</b>	<b>405</b>	<b>(297)</b>	<b>44</b>

1. At 31 December 2017, post-employment benefits attributable to Nedbank and Old Mutual Wealth have been transferred to assets and liabilities held-for-sale and distribution in the consolidated statement of financial position. Refer to note A4 for more information.

Details of the Group's post-employment schemes are as follows:

#### Old Mutual plc

During the year, bulk annuity arrangements for two legacy defined benefit schemes, the Old Mutual Staff Pension Fund and the G&N Retirement Benefits Scheme, were agreed with Legal & General Assurance Society Limited. The agreements resulted in the buy-in of the benefits of the two schemes with effect from 13 June 2017. This was converted to a full buy-out into individual annuity policies in October 2017 and wind-up of both schemes completed on 30 November 2017.

In order to effect the transaction, Old Mutual plc made a one off contribution of R463 million into the two schemes, which together with derecognising of the combined existing surplus for the schemes, resulted in a R978 million charge in the consolidated statement of comprehensive income.

Old Mutual plc no longer has any liability in respect of these two schemes, including administration and funding. Old Mutual plc had previously been contributing R120 million of cash funding annually to the two schemes.

#### Nedbank

Nedbank has a number of defined-benefit and defined-contribution plans in terms of which it provides pension, postretirement medical aid and long-term disability benefits to employees and their dependants on retirement, death or disability. All eligible employees and former employees are members of trustee-administered or underwritten schemes within the Group, financed by company and employee contributions. The benefits provided by the defined-benefit schemes are based on years of membership and/or salary levels. These benefits are provided from contributions by employees, Nedbank, and income from the assets of these schemes. The benefits provided by the defined-contribution schemes are determined by the accumulated contributions and investment earnings. At 31 December 2017, Nedbank's pension schemes had a total recognised net surplus of R3,004 million and its other post-retirement schemes had a total net deficit of R604 million. These amounts were transferred to assets held-for-sale and distribution and liabilities held-for-sale and distribution respectively. At 31 December 2017, the total assets and total liabilities of all of Nedbank's post-retirement schemes were R10,161 million and R7,677 million respectively.

## Old Mutual Wealth

Old Mutual Wealth operates two defined benefit (final salary) pension schemes within Quilter Cheviot, the Quilter Cheviot Limited Retirement Benefits Scheme (the "UK Final Salary Scheme") and the Quilter Cheviot Channel Islands Retirement Benefits Scheme (the "CI Final Salary Scheme"). The UK Final Salary Scheme was closed to new entrants from 31 December 1997 and the CI Final Salary Scheme was closed to new entrants from 29 April 2005. In addition, the schemes are closed to future accruals, all members are now deferred members or pensioners (not accruing any further service benefits) and pension increases are linked to salary at the time of closure (1 January 2015) and now receive statutory increases, predominantly based on the Consumer Price Index. At 31 December 2017, the two schemes had a total surplus of R226 million, none of which was recognised in the consolidated statement of financial position. At 31 December 2017, the total assets and total liabilities of the two schemes were R1,022 million and R796 million respectively.

### Restriction on the ability to access individual pension fund surpluses

The Group has pension fund surpluses whose 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.

### (b) Expense/(income) recognised in the consolidated income statement

	(R million)					
Year ended 31 December Continuing businesses	Pension plans			Other post-retirement benefit schemes		
	2017	2016	2015	2017	2016	2015
Current service costs	2	–	31	19	20	23
Net interest cost/(income)	19	37	9	(57)	(69)	(42)
Other post-retirement plan costs	–	–	–	1	33	28
<b>Total (included in staff costs)</b>	<b>21</b>	<b>37</b>	<b>40</b>	<b>(37)</b>	<b>(16)</b>	<b>9</b>

Actuarial assumptions used in calculating the projected benefit obligation are based on mortality estimates relevant to the economic countries in which they operate, with a specific allowance made for future improvements in mortality which is broadly 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 R467 million and decrease of R508 million (2016: increase of R534 million and decrease of R422 million; 2015: increase of R464 million and decrease of R379 million) respectively.

Following the bulk annuity arrangements described above, no further contributions are being paid to the Group pension plans.

### (c) Plan asset allocation

Plan asset allocation relates to all of the Group's pension schemes.

	%					
At 31 December	Pension plans			Other post-retirement benefit schemes		
	2017	2016	2015	2017	2016	2015
Equity securities	28.6	29.8	29.7	39.3	39.2	39.4
Debt securities	25.2	46.4	43.0	16.8	16.7	17.0
Property	4.2	3.4	2.9	4.6	4.6	4.6
Cash	19.2	3.4	3.4	24.7	24.9	24.3
Annuities and other	22.8	17.0	21.0	14.6	14.6	14.7
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Pension and other retirement benefit plan assets include ordinary shares issued by the Company with a fair value of Rnil in all periods.

## J2: Share-based payments

### (a) Reconciliation of movements in options

During the year ended 31 December 2017, the Group had a number of share-based payment arrangements. Further information about the types of schemes in operation can be found at [www.oldmutualplc.com/ir](http://www.oldmutualplc.com/ir).

The movement in the options outstanding under these arrangements during the year is detailed below:

Options over shares in Old Mutual plc (London Stock Exchange)	Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
<b>Outstanding at beginning of the year</b>	<b>13,360,129</b>	<b>£1.59</b>	11,950,545	£1.73	9,334,206	£1.51
Granted during the year	–	–	7,925,248	£1.51	6,178,091	£1.87
Forfeited during the year	(1,047,292)	£1.60	(5,142,900)	£1.79	(966,728)	£1.69
Exercised during the year	(2,580,849)	£1.60	(1,362,406)	£1.55	(2,586,844)	£1.26
Expired during the year	–	–	(10,358)	£1.74	(8,180)	£1.63
<b>Outstanding at end of the year</b>	<b>9,731,988</b>	<b>£1.59</b>	13,360,129	£1.59	11,950,545	£1.73
Exercisable at 31 December	<b>340,060</b>	<b>£1.60</b>	74,527	£1.63	189,468	£1.53

The options outstanding at 31 December 2017 had an exercise price in the range of £1.28 to £1.87 (2016: £1.28 to £1.87; 2015: £0.94 to £1.87) and a weighted average remaining contractual life of 1.2 years (2016: 1.8 years; 2015: 2.2 years). The weighted average share price at date of exercise for options exercised during the year was £1.94 (2016: £1.93; 2015: £2.12).

Options over shares in Old Mutual plc (Johannesburg Stock Exchange)	Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of the year	<b>580,455</b>	<b>R15.80</b>	2,068,440	R15.05	5,580,292	R13.21
Exercised during the year	(580,455)	R15.80	(1,487,985)	R14.76	(3,486,110)	R12.14
Expired during the year	–	–	–	R0.00	(25,742)	R13.29
<b>Outstanding at end of the year</b>	<b>–</b>	<b>–</b>	580,455	R15.80	2,068,440	R15.05
Exercisable at 31 December	<b>–</b>	<b>–</b>	580,455	R15.80	2,068,440	R15.05

All outstanding options over Old Mutual plc shares (Johannesburg Stock Exchange) were exercised during 2017. These options were no longer granted after 2011. The weighted average share price of options exercised during the year was R34.53.

### (b) Measurements and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of share options granted is measured using a Black-Scholes option pricing model.

Share options are granted under a service and non-market-based performance condition. Such conditions are not taken into account in the grant date fair value measurement of the share options granted. There are no market conditions associated with the share option grants.

The grant date for the UK and South African plan awards is deemed to be 1 January in the year prior to the date of issue. As such the Group is required to estimate, at the reporting date, the number and fair value of the options that will be granted in the following year. The fair value of awards expected to be granted in 2017 which will have an IFRS 2 grant date of 1 January 2017, is shown separately below. The grant date for all other awards is the award issue date.

**(c) Forfeitable/Restricted share grants**

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

<b>Instruments granted and purchased during the year</b>		<b>Number granted</b>	<b>Weighted average fair value</b>
Shares in Old Mutual plc (London Stock Exchange)	<b>2017</b>	<b>1,195,323</b>	<b>£2.18</b>
	2016	25,126,598	£1.67
	2015	11,544,922	£2.08
Shares in Old Mutual plc (Johannesburg Stock Exchange)	<b>2017</b>	<b>17,812,646</b>	<b>R34.86</b>
	2016	20,284,617	R39.71
	2015	14,244,304	R42.24

The share price at measurement date was used to determine the fair value of the restricted shares. Expected dividends were not incorporated into the measurement of fair value where the holder of the restricted share is entitled to dividends throughout the vesting period.

**(d) Annual bonus awards**

The UK and South Africa Plan Awards give rise to annual bonus awards. The level of annual bonus awards is contingent upon the satisfactory completion of individual and company performance targets, measured over the financial year prior to the date the employees receive the award. The accounting grant date for the South African and UK annual bonus plans (other than the new joiner and newly qualified grants) has therefore been determined as 1 January in the year prior to the date of issue of the grants.

The Group anticipates awards under the South African scheme of 8,181,885 restricted shares (2016: 6,222,592; 2015: 8,243,127). The restricted shares have been valued using a share price of R38.00 (2016: R34.44; 2015: R41.45).

The Group estimate of the total fair value of the annual bonus expected to be paid in the form of options and forfeitable shares is outlined below. The fair value is determined by making an estimate of the level of bonus to be paid out following the attainment of personal and company performance conditions.

	<b>Year ended 31 December 2017</b>		<b>Year ended 31 December 2016</b>		<b>Year ended 31 December 2015</b>	
	<b>Total fair value R million</b>	<b>Vesting period</b>	<b>Total fair value R million</b>	<b>Vesting period</b>	<b>Total fair value R million</b>	<b>Vesting period</b>
UK Plans	<b>46</b>	<b>4.2 years</b>	194	4.2 years	223	4.2 years

**(e) Financial impact**

	<b>(R million)</b>		
	<b>Year ended 31 December 2017</b>	<b>Year ended 31 December 2016</b>	<b>Year ended 31 December 2015</b>
Expense arising from equity settled share and share option plans	<b>294</b>	258	(5)
Expense arising from cash settled share and share option plans	<b>62</b>	–	80
	<b>356</b>	258	75
Closing balance of liability for cash settled share awards	–	–	2,923

**J3: Related parties**

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.



**(b) Key management personnel remuneration and other compensation**

	Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015	
	Number of personnel	R million	Number of personnel	R million	Number of personnel	R million
Directors' fees	11	36	11	32	11	27
Remuneration		373		501		474
Cash remuneration	9	83	14	124	12	104
Short-term employee benefits	10	93	14	196	12	169
Long-term employee benefits	9	2	14	6	12	7
Share-based payments	9	195	11	175	12	194
		409		533		501

	Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015	
	Number of personnel	Number of options/ shares '000s	Number of personnel	Number of options/ shares '000s	Number of personnel	Number of options/ shares '000s
<b>Share options</b>						
Outstanding at beginning of the year	4	58	4	52	5	48
Leavers	–	–	–	–	(1)	(11)
Granted during the year		–		6		29
Exercised during the year		(23)		–		(14)
<b>Outstanding at end of the year</b>	<b>3</b>	<b>35</b>	<b>4</b>	<b>58</b>	<b>4</b>	<b>52</b>

	Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015	
	Number of personnel	Number of options/ shares '000s	Number of personnel	Number of options/ shares '000s	Number of personnel	Number of options/ shares '000s
<b>Restricted shares</b>						
Outstanding at beginning of the year	10	23,494	10	11,346	10	14,033
Leavers	(2)	(1,346)	(2)	(2,974)	(1)	(3,538)
New appointments	1	1,087	2	5,215	1	2,056
Granted during the year		948		11,659		3,055
Exercised during the year		(673)		(236)		(944)
Vested during the year		(952)		(1,516)		(3,316)
<b>Outstanding at end of the year</b>	<b>9</b>	<b>22,558</b>	<b>10</b>	<b>23,494</b>	<b>10</b>	<b>11,346</b>

**(c) Key management personnel transactions**

Key management personnel and members of their close family have undertaken transactions with Old Mutual plc and its subsidiaries, joint ventures and associated undertakings in the normal course of business, details of which are given below. For current accounts positive values indicate assets of the individual whilst for credit cards and mortgages positive values indicate liabilities of the individual.

	Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015	
	Number of personnel	R000s	Number of personnel	R000s	Number of personnel	Value R000s
<b>Current accounts</b>						
Balance at beginning of the year	4	50,035	5	50,383	5	43,824
Net movement during the year	–	13,992	–	(348)	–	6,559
<b>Balance at end of the year</b>	<b>5</b>	<b>64,027</b>	<b>4</b>	<b>50,035</b>	<b>5</b>	<b>50,383</b>
<b>Credit cards</b>						
Balance at beginning of the year	4	509	5	456	4	522
Net movement during the year	–	27	–	53	–	(66)
<b>Balance at end of the year</b>	<b>5</b>	<b>536</b>	<b>4</b>	<b>509</b>	<b>5</b>	<b>456</b>
<b>Mortgages</b>						
Balance at beginning of the year	1	2,052	3	2,510	5	8,369
Net movement during the year	–	1,400	–	(458)	–	(5,859)
<b>Balance at end of the year</b>	<b>3</b>	<b>3,452</b>	<b>1</b>	<b>2,052</b>	<b>3</b>	<b>2,510</b>
<b>Property &amp; casualty contracts</b>						
Total premium paid during the year	2	101	1	120	3	195
Claims paid during the year	1	151	–	–	–	–
<b>Life insurance products</b>						
Total sum assured/value of investment at end of the year	9	408,440	9	395,478	10	530,708
<b>Pensions</b>						
Value of pension plans as at end of the year	9	141,777	9	56,613	10	106,676

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 clients generally or, where that is not the case, on the same preferential terms as were available to employees of the business generally.

(d) **Other transactions with related parties**

Peter Moyo, the Chief Executive Officer of Old Mutual Life Assurance Company (South Africa) Limited, (OMLAC(SA)), a wholly owned subsidiary of the Group, and one of the Company's key management personnel, is also a founder and Executive Director of NMT Capital (Pty) Ltd. (NMT Capital), and holds an equity interest in NMT Capital and NMT Group Proprietary Limited (NMT Group).

OMLAC(SA) has provided equity and preference share funding to the NMT Group and has also provided preference share funding to a family trust of Peter Moyo, which trust has an equity interest in NMT Capital. Included in dividend income from associated undertakings for the year ended 31 December 2017 is R2 million of preference share dividends received from NMT Capital. OMLAC(SA) has invested in preference shares to the value of R62 million in NMT Capital and has also invested in ordinary and preference share capital of NMT Group R142 million, and the preference share capital of Amabubesi Capital Travelling (Pty) Ltd of R18 million, RZT Zeply 4971 (Pty) Ltd of R13 million, RZT Zeply 4973 (Pty) Ltd of R13 million and STS Capital (Pty) Ltd of R13 million, all of which are considered to be related parties of NMT Capital. Preference share dividends totalling R8 million was received by OMLAC(SA) during the year. The Group also holds R14 million of the ordinary share capital in NMT capital.

J4: **Contingent liabilities**

Contingent liabilities at 31 December 2017 presented in the table below are in respect of the Group's continuing operations. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for contingent liabilities in respect of businesses classified as held for distribution. The comparative information presented at 31 December 2017 therefore includes the contingent liabilities for the composition of the Group as at 31 December 2016 and 31 December 2015.

	(R million)		
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Guarantees and assets pledged as collateral security	182	16,365	27,347
Secured lending	–	13,663	9,139
Irrevocable letters of credit	–	3,556	4,463
Other contingent liabilities	275	166	95

The table below presents the contingent liabilities, in respect of the businesses classified as held-for-sale and distribution as at 31 December 2017:

	(R million)
	At 31 December 2017
Guarantees and assets pledged as collateral security	28,402
Secured lending	6,286
Irrevocable letters of credit	3,225

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 – tax

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

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

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

#### Nedbank litigation

There are a number of legal or potential claims against Nedbank Group Ltd and its subsidiary companies, the outcome of which cannot at present be foreseen.

The largest potential claim relates to Pinnacle Point Group Limited, where ABSA Bank Limited (ABSA) has initiated an action in the High Court against Nedbank Limited (Nedbank) for the sum of R773 million, where ABSA alleges that Nedbank had a legal duty of care to it in relation to certain single stock futures transactions.

In a matter relating to the same events, New Port Finance Company (Pty) Ltd and Winifred Trust have sued ABSA for R405 million and R65 million respectively, alleging that ABSA had a duty of care towards them. During November 2016 ABSA joined Nedbank as a third party to that action claiming that, should ABSA be held liable, then ABSA would be entitled to claim a contribution from Nedbank.

Nedbank's counsel is of the view that Nedbank has a strong case to successfully resist both matters.

#### 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.

As detailed in note H5, the Group has recognised a provision of R1,183 million in 2017 for the cost of voluntarily redress for affected customers following the publication by the UK Financial Conduct Authority (FCA) of a report detailing its findings of their industry-wide thematic review on the fair treatment of long-standing customers invested in closed-book products sold by the life insurance sector (TR 16/2) (Thematic Review) and the subsequent announcement that it was initiating an investigation into a number of firms, including Old Mutual Wealth Life Assurance Limited (OMWLA), a subsidiary of the Group, in relation to potential breaches of the FCA's standards relevant to the matters covered by the Thematic Review.

The potential for future enforced redress and associated penalties by the FCA cannot be estimated with any reliability and therefore no provision has been recognised in the financial statements.

#### **Implications of the Managed Separation strategy**

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

#### **Outcome of Zimbabwean Commission Enquiry**

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

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

### **J5: Commitments**

#### **Capital commitments**

Capital commitments at 31 December 2017 presented in the table below are in respect of the Group's continuing operations. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for capital commitments in respect of businesses classified as held for distribution. The comparative information presented at 31 December 2017 therefore includes the capital commitments for the composition of the Group as at 31 December 2016 and 31 December 2015.

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

	<b>(R million)</b>		
	<b>At 31 December 2017</b>	<b>At 31 December 2016</b>	<b>At 31 December 2015</b>
Investment property	<b>1,243</b>	1,081	1,444
Property, plant and equipment	<b>28</b>	1,804	2,423
Intangible assets	<b>470</b>	810	1,086

The table below presents the capital commitments, in respect of the businesses classified as held-for-sale and distribution as at 31 December 2017:

	<b>(R million)</b>
Investment property	–
Property, plant and equipment	<b>2,897</b>
Intangible assets	<b>777</b>

#### **Commitments to extend credit to customers**

The following table presents the contractual amounts of the Group's financial instruments not included in the consolidated statement of financial position that commit it to extend credit to customers in respect of the continuing operations. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for commitments to extend credit to customers in respect of businesses classified as held for distribution. The comparative information presented at 31 December 2017 therefore includes the capital commitments for the composition of the Group as at 31 December 2016 and 31 December 2015.

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
Original term to maturity of one year or less	–	2,381	1,300
Original term to maturity of more than one year	1,126	13,657	9,942
Other commitments, note issuance facilities and revolving underwriting facilities	–	74,177	84,861

The table below presents the commitments to extend credit to customers in respect of the businesses classified as held-for-sale and distribution as at 31 December 2017:

	(R million)
Original term to maturity of one year or less	14,492
Original term to maturity of more than one year	22,595
Other commitments, note issuance facilities and revolving underwriting facilities	66,476

Assets are pledged as collateral under repurchase agreements with other financial institutions and for security deposits relating to local futures, options and stock exchange memberships. Mandatory reserve deposits are also held with local Central Banks in accordance with local statutory requirements. These deposits are not available to finance the Group's day-to-day operations.

Commitments under the Group's operating lease arrangements are described in note J6.

#### Future potential commitments

The Group and the Business Doctor Consortium Limited and its associates (Business Doctor) established Old Mutual Finance as a 50/50 start-up strategic alliance in 2008. The Group increased its shareholding in Old Mutual Finance (Pty) Ltd (Old Mutual Finance) from 50% to 75% in 2014 by acquiring a 25% shareholding in Old Mutual Finance 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), whilst Business Doctor has a put option to sell its remaining 25% shareholding in Old Mutual Finance to the Group at market value under certain circumstances, *inter alia* in the event of a change of control within the Old Mutual plc Group (which will occur when Old Mutual Limited becomes the holding company of Old Mutual plc) 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).

#### 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. Note G4 provides further information on the Group's derivative financial instruments.

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

#### Other commitments

Old Mutual Life Assurance Company (South Africa) Limited has entered into agreements where it has committed to provide capital to funds and partnerships that it has invested in. The total undrawn commitment is R7,792 million at 31 December 2017 (2016: R5,640 million; 2015: R4,413 million).

#### J6: Operating lease arrangements

The following tables present the operating lease arrangements in respect of the Group's continuing operations. Consistent with the requirements of accounting standards, the comparative period has not been re-presented for operating lease arrangements in respect of businesses classified as held for distribution. The comparative information presented at 31 December 2017 therefore includes the capital commitments for the composition of the Group as at 31 December 2016 and 31 December 2015.

(a) The Group as lessee

	(R million)								
	At 31 December 2017			At 31 December 2016			At 31 December 2015		
Outstanding commitments under non-cancellable operating leases fall due as follows:	Banking	Non-banking	Total	Banking	Non-banking	Total	Banking	Non-banking	Total
Within one year	15	144	159	1,968	236	2,204	1,046	265	1,311
In the second to fifth years inclusive	83	259	342	1,509	684	2,193	2,274	665	2,939
After five years	23	13	36	1,952	573	2,525	2,236	871	3,107
	121	416	537	5,429	1,493	6,922	5,556	1,801	7,357

(b) The Group as lessor

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
Assets subject to operating leases			
Land	210	48	159
Buildings	649	274	259
Investment property	31,903	28,769	28,139
	32,762	29,091	28,557

	(R million)		
	At 31 December 2017	At 31 December 2016	At 31 December 2015
Future undiscounted minimum lease payments of contracts with tenants			
Within one year	1,780	1,675	1,620
In the second to fifth years inclusive	4,094	4,354	4,450
After five years	1,605	2,005	2,944
	7,479	8,034	9,014

J7: **Fiduciary activities**

The Group provides custody, trustee, corporate administration and investment management and advisory services to third parties that involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group will be accused of misadministration or under-performance. The fiduciary activities are carried out by both the businesses classified as held for distribution and the continuing operations.

J8: **Events after the reporting date**

**US legacy items**

On 13 March 2018 Old Mutual plc announced that Travelers had lodged a claim in the United States District Court for the Southern District of New York in relation to pre-existing plc Head Office legacy items relating to previously disposed of US assets. The Group continues to believe that this claim was without merit. Old Mutual plc further announced on 9 April 2018 that Travelers had withdrawn all of the remedies they were claiming and that the Company, which will become the new holding company of Old Mutual plc, had agreed, inter alia, to provide an intragroup guarantee to Old Mutual plc in the circumstances where Old Mutual plc is unable to satisfy the highly remote obligations in respect of the legacy items which were the subject of the claim. For further information on the intragroup guarantee, please see "Annexe 15 – Material Contracts".

### **Emerging Markets sale of its Latin American businesses**

On 16 March 2018, the Group announced that it has agreed to sell its Latin American businesses to Lilly Purchaser. The transaction is subject to usual regulatory approvals and customary closing conditions. Proceeds from the sale will be retained for general corporate purposes by Old Mutual Emerging Markets.

### **Emerging Markets post-employment benefits**

Old Mutual Life Assurance Company (South Africa) Limited is obligated to provide post-employment benefits in the form of medical aid contributions to existing employees and pensioners. During a previous financial period the company entered into an insurance policy issued by the MMI Holdings Ltd group of companies (MMI) to fund the obligation. In turn MMI reinsured some of the insurance risks with the company. Due to the nature of the insurance policy issued by MMI, the insurance policy is treated as a qualifying insurance policy and included in the plan assets of the company. At 31 December 2017 the surplus asset held in the post-retirement medical aid fund was approximately R664 million (consisting of plan assets of R2,010 million and an obligation of R1,346 million).

The Company has been negotiating with MMI the transfer of the qualifying insurance policy and related policyholder assets to Old Mutual Alternative Risk Transfer Ltd (OMART), a 100% subsidiary of the company. An agreement was reached and the effective date of the transfer was on 31 of January 2018. The accounting treatment and disclosure in the company and consolidated financial statements for the financial year ended 31 December 2017 were left unchanged from previous financial periods.

In the financial statements for the financial year ending 31 December 2018 the insurance policy will not qualify as a qualifying insurance policy. The change in the classification of the insurance policy will result in the insurance policy and post-retirement medical aid obligation being disclosed as separate items on the balance sheet of the company. In the consolidated financial statements for the financial period ending 31 December 2018 the insurance and reinsurance policies between the company and OMART will be eliminated resulting in the consolidated balance sheet and income statement reflecting the obligation to employees and pensioners as well as the assets held by OMART to back the policyholder liability to the company.

### **Old Mutual Wealth acquisition of Skandia UK Limited from Old Mutual plc**

On 31 January 2018, Old Mutual Wealth acquired the Skandia UK Limited group of entities from Old Mutual plc. This group of entities comprises five plc Head Office entities with a combined net asset value of R9,903 million (£591 million). The transfer was financed by the issue of a share and with the balance represented by a merger reserve. No debt was taken on as a result of this transaction. The most significant asset within these entities is a R9,484 million (£566 million) receivable which corresponds to an equivalent payable within the Group's statement of financial position. The net effect of this transaction for the Group is to replace a payable due to Old Mutual plc with equity.

### **Old Mutual Wealth financing arrangements**

On 28 February 2018, the Group entered into, and fully drew down, the New Term Loan, a R5,027 million (£300 million) senior unsecured term loan with a number of relationship banks with an annual coupon of 45 basis points above LIBOR, to be updated every three months. The New Term Loan will be repaid in full using proceeds from the sale of the Single Strategy Business following the completion of the OMGI Transaction.

Also on 28 February 2018, the Group issued a R3,351 million (£200 million) subordinated debt security in the form of a 10-year Tier 2 bond with a one-time issuer call option after 5 years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% (Tier 2 Bond). Including the impact of amortisation of bond set-up costs, the issuance of the Tier 2 Bond security will increase operating expenses in the Head Office segment by approximately R187 million (£11 million) on an annual basis. The debt security is currently undocumented and unlisted and has a Fitch instrument rating of BBB-. The Group intends to finalise a prospectus and obtain a listing for the Tier 2 Bond on the regulated market of the London Stock Exchange, with a view to a potential remarketing and secondary placement of the Tier 2 Bond in due course. In addition, the Group entered into the New Revolving Facility, a R2,095 million (£125 million) revolving credit facility which is currently undrawn and is expected to remain undrawn during 2018.

Subsequent to the year end, and as part of a series of internal transactions, R9,484 million (£566 million) of intercompany indebtedness to other companies within the Old Mutual plc group has been equitised, with the effect of the intercompany indebtedness being cancelled and replaced with equity in the form of share capital and a merger reserve. The overall indebtedness also reduced by R274 million (£16 million) from ordinary course transactions. The remaining R3,351 million (£200 million) intercompany indebtedness was repaid in full from the new facilities referred to above and from existing cash resources on 28 February 2018. On the same date, the R1,173 million (£70 million) revolving credit facility with Old Mutual plc was cancelled.

### **J9: Transition to IFRS**

As stated in note A1, this Historical Financial Information is prepared in accordance with IFRS. Prior to adoption of IFRS the consolidated financial statements of Old Mutual plc were prepared in accordance with IFRS as endorsed by the EU (previous GAAP). The accounting policies set out in this Historical Financial Information have been applied in preparing the financial statements for the year ended 31 December 2017, 31 December 2016 and 31 December 2015, and in the preparation of an opening IFRS consolidated statement of financial position at 1 January 2015 (the Group's date of transition).

In preparing this Historical Financial Information in accordance with IFRS 1 – ‘First time adoption of International Financial Reporting Standards’, the Group has applied the mandatory exemptions and elected the following exemptions:

- Business combinations – IFRS 3 – ‘Business Combinations’ has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associated undertakings and joint ventures that occurred before 1 January 2015.
- Share-based payment transactions – The provisions of IFRS 2 – ‘Share Based Payments’ have not been applied to equity settled awards granted on or before 7 November 2002, or awards granted after that date but which had vested prior to 1 January 2015.
- Insurance contracts – Transitional provisions in IFRS 4 – ‘Insurance Contracts’ restricts changes in accounting policies for insurance contracts, including changes made by a first-time adopter.
- Cumulative translation differences – Cumulative translation differences for all foreign operations of R24,657 million have been set to zero at 1 January 2015.

The accounting policies applied under previous GAAP conform to IFRS. As a result, the conversion to IFRS did not result in any material adjustments to profit or loss or equity and no additional disclosure as stated in IFRS 1 on first time adoption is required.

The consolidated statement of financial position at 1 January 2015 is as follows:

	(R million)
	At 1 January 2015
<b>Assets</b>	
Goodwill and other intangible assets	49,726
Mandatory reserve deposits with central banks	14,911
Property, plant and equipment	13,764
Investment property	30,209
Deferred tax assets	5,099
Investments in associated undertakings and joint ventures	9,326
Deferred acquisition costs	15,512
Reinsurers’ share of policyholder liabilities	41,641
Loans and advances	627,342
Investments and securities	1,575,629
Current tax receivable	1,652
Trade, other receivables and other assets	42,501
Derivative financial instruments	22,088
Cash and cash equivalents	88,983
Assets held-for-sale and distribution	26,553
<b>Total assets</b>	<b>2,564,936</b>
<b>Liabilities</b>	
Life insurance contract liabilities	189,294
Investment contract liabilities with discretionary participating features	142,850
Investment contract liabilities	1,096,147
Property & casualty liabilities	5,734
Third-party interests in consolidated funds	107,741
Borrowed funds	54,761
Provisions and accruals	5,096
Deferred revenue	5,943
Deferred tax liabilities	8,162
Current tax payable	3,399
Trade, other payables and other liabilities	77,002
Amounts owed to bank depositors	652,289
Derivative financial instruments	21,611
Liabilities held-for-sale and distribution	23,124
<b>Total liabilities</b>	<b>2,393,153</b>



	(R million)
	At 1 January 2015
<b>Net assets</b>	171,783
<b>Shareholders' equity</b>	
Equity attributable to equity holders of the parent	133,299
<b>Non-controlling interests</b>	
Ordinary shares	33,589
Preferred securities	4,895
<b>Total non-controlling interests</b>	38,484
<b>Total equity</b>	171,783

#### K: **Accounting policies on financial assets and liabilities**

The Group is exposed to financial risk through its financial assets (investments and loans), 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.

##### (a) **Recognition and derecognition**

A financial asset or liability is recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

The Group derecognises a financial asset when, and only when:

- The contractual rights to the cash flows arising from the financial assets have expired or been forfeited by the Group; or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- It transfers the financial asset and neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control.

A financial liability is derecognised when, and only when the liability is extinguished. That is when the obligation specified in the contract is discharged, assigned, cancelled or has expired.

The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

All purchases and sales of financial assets that require delivery within the timeframe established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Loans and receivables are recognised (at fair value plus attributable transaction costs) when cash is advanced to borrowers.

##### (b) **Initial measurement**

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or for a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

##### (c) **Derivative financial instruments**

Derivative financial instruments are recognised in the consolidated statement of financial position at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives not designated as hedges for hedge accounting purposes are recognised in profit or loss and are included in investment return or finance costs as appropriate.

##### (d) **Hedge accounting**

Qualifying hedging instruments must either be derivative financial instruments or non-derivative financial instruments used to hedge the risk of changes in foreign currency exchange rates, changes in fair value or changes in cash flows. Changes in the value of the financial instrument should be expected to offset changes in the fair value or cash flows of the underlying hedged item.

The Group designates certain qualifying hedging instruments as either (1) a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment (fair value hedge) or (2) a hedge of a future cash flow attributable to a recognised asset or liability, or a forecasted transaction, and could affect profit or loss (cash flow hedge) or (3) a hedge of a net investment in a foreign operation. Hedge accounting is used for qualifying hedging instruments designated in this way provided certain criteria are met.

The Group's criteria in accordance with reporting standards for a qualifying hedging instrument to be accounted for as a hedge include:

- Upfront formal documentation of the hedging instrument, hedged item or transaction, risk management objective and strategy, the nature of the risk being hedged and the effectiveness measurement methodology that will be applied is prepared before hedge accounting is adopted.
- The hedge is documented showing that it is expected to be highly effective in offsetting the changes in the fair value or cash flows attributable to the hedged risk, consistent with the risk management and strategy detailed in the upfront hedge documentation.
- The effectiveness of the hedge can be reliably measured
- The hedge is assessed and determined to have been highly effective on an ongoing basis.
- For cash flow hedges of a forecast transaction, an assessment that it is highly probable that the hedged transaction will occur and will carry profit or loss risk.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, are recorded in profit or loss, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges or hedges of a net investment in a foreign operation, and that prove to be highly effective in relation to the hedged risk, are recognised in other comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. For fair value hedge accounting, any previous adjustment to the carrying amount of a hedged interest-bearing financial instrument carried at amortised cost (as a result of previous hedge accounting), is amortised in profit or loss from the date hedge accounting ceases, to the maturity date of the financial instrument, based on the effective interest method.

For hedges of a net investment in a foreign operation, any cumulative gains or losses in equity are recognised in profit or loss on disposal of the foreign operation. The Group does not apply significant cash flow or fair value hedging.

#### **(e) Embedded derivatives**

Certain derivatives embedded in financial and non-financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives and recognised as such on a standalone basis, when a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains and losses reported in profit or loss. If it is not possible to determine the fair value of the embedded derivative, the entire hybrid instrument is categorised as fair value through profit or loss and measured at fair value.

#### **(f) Offsetting financial instruments and related income**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is currently a legally enforceable right to set off and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expense items are offset only to the extent that their related instruments have been offset in the consolidated statement of financial position, with the exception of those relating to hedges, which are disclosed in accordance with profit or loss effect of the hedged item.

#### **(g) Interest income and expense**

Interest income and expense in relation to financial instruments carried at amortised cost or held as available-for-sale are recognised in profit or loss using the effective interest method, taking into account the expected timing and amount of cash flows. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

Interest income and expense on financial instruments carried at fair value through profit or loss are presented as part of interest income or expense.

#### **(h) Non-interest revenue**

Non-interest revenue in respect of financial instruments principally comprises fees and commission and other operating income. These are accounted for as set out below.

## **Fees and commission income**

Loan origination fees, for loans that are probable of being drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective yield on the loan. Fees and commission arising from negotiating, or participating in the negotiation of a transaction for a third-party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

## **Other income**

Revenue other than interest, fees and commission (including fees and insurance premiums), which includes exchange and securities trading income, dividends from investments and net gains on the sale of banking assets, is recognised in profit or loss when the amount of revenue from the transaction or service can be measured reliably and it is probable that the economic benefits of the transaction or service will flow to the Group.

### **(i) Financial assets**

Non-derivative financial assets are recorded as held-for-trading, designated as fair value through profit or loss, loans and receivables, held-to-maturity or available-for-sale. An analysis of the Group's consolidated statement of financial position, showing the categorisation of financial assets, together with financial liabilities is set out in note E1.

### **(i) Classification of financial instruments**

#### **Held-for-trading financial assets**

Held-for-trading financial assets are those that were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists, or are derivatives that are not designated as effective hedging instruments.

#### **Financial assets designated as fair value through profit or loss**

Financial assets that the Group has elected to designate as fair value through profit or loss are those where the treatment either eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise when using a different measurement basis (for instance with respect to financial assets supporting insurance contract liabilities) or are managed, evaluated and reported using a fair value basis (for instance financial assets supporting shareholders' funds).

All financial assets carried at fair value through profit or loss, whether held-for-trading or designated, are initially recognised at fair value and subsequently remeasured at fair value based on bid prices quoted in active markets. If such price information is not available for these instruments, the Group uses other valuation techniques, including internal models, to measure these instruments. These techniques use market observable inputs where available, derived from similar assets and liabilities in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters, the Group estimates the non-market observable inputs used in its valuation models. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate at the reporting date for an instrument with similar terms and conditions.

Fair values of certain financial instruments, such as over-the-counter (OTC) derivative instruments, are determined using pricing models that consider, among other factors, contractual and market prices, correlations, yield curves, credit spreads, and volatility factors.

Realised and unrealised fair value gains and losses on all financial assets carried at fair value through profit or loss are included in investment return (non-banking) or in banking trading, investment and similar income as appropriate.

Interest earned whilst holding financial assets at fair value through profit or loss is reported within investment return (non-banking) or banking interest and similar income, as appropriate. Dividends receivable are included separately in dividend income, within investment return (non-banking) or banking trading, investment and similar income, when a dividend is declared.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Group as fair value through profit or loss or available-for-sale. Loans and receivables are carried at amortised cost less any impairment write-downs. Third-party expenses such as legal fees incurred in securing a loan are treated as part of the cost of the transaction.

#### **Held-to-maturity financial assets**

Financial assets with fixed maturity dates which are quoted in an active market and where management has both the intent and the ability to hold the asset to maturity are classified as held-to-maturity. These assets are carried at amortised cost less any impairment write-downs. Interest earned on held-to-maturity financial assets is reported within investment return (non-banking) or banking interest and similar income, as appropriate.

### **Available-for-sale financial assets**

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices other than those designated fair value through profit or loss or as loans and receivables, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Available-for-sale financial assets are measured at fair value based on bid prices quoted in active markets. If such prices are unavailable or determined to be unreliable, the fair value of the financial asset is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on observable market data where available at the reporting date.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. When available-for-sale financial assets are disposed, the related accumulated fair value adjustments are included in profit or loss as gains and losses from available-for-sale financial assets. When available-for-sale assets are impaired the resulting loss is shown separately in profit or loss as an impairment charge.

Interest earned on available-for-sale financial assets is reported within investment return (non-banking) or banking interest and similar income, as appropriate. Dividends receivable are included separately in dividend income, within investment return (non-banking) or banking trading, investment and similar income, as appropriate when a dividend is declared.

### **Financial liabilities (other than investment contracts and derivatives)**

Non-derivative financial liabilities, including borrowed funds, amounts owed to depositors and liabilities under acceptances are recorded as held-for-trading, designated as fair value through profit or loss or as financial liabilities at amortised cost.

Liabilities that the Group has elected to designate as fair value through profit or loss are those where the treatment either eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise when using a different measurement basis or are managed, evaluated and reported using a fair value basis.

For financial liabilities recorded at fair value and which contain a demand feature, the fair value of the liability is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Financial liabilities categorised at amortised cost are recognised initially at fair value, which is normally represented by the transaction price, less directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Equity classified conversion options included within financial liabilities are recorded separately in shareholders' equity. The Group does not recognise any change in the value of this option in subsequent periods. The remaining obligation to make future payments of principal and interest to bondholders is calculated using a market interest rate for an equivalent non-convertible bond and is presented on the amortised cost basis in other borrowed funds until extinguished on conversion or maturity of the bonds.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of a liability and the consideration paid is recognised in profit or loss and are included in finance costs.

#### **(k) Reclassifications of financial assets**

A non-derivative financial asset that would have met the definition of loans and receivables at initial recognition that was required to be categorised as held-for-trading (on the basis that it was held for the purpose of selling or repurchasing in the near term) may under exceptional circumstances be reclassified out of the fair value through profit or loss category if the Group intends and is able to hold the financial asset for the foreseeable future or until maturity. If a financial asset is so reclassified, it is reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in profit or loss is not reversed. The fair value at the date of reclassification becomes its new cost or amortised cost, as applicable.

Other non-derivative financial assets that were required to be categorised as held-for-trading at initial recognition may be reclassified out of the fair value through profit or loss category in rare circumstances. If a financial asset is so reclassified, it is reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in profit or loss is not reversed. Measurement of the asset after reclassification depends on the subsequent categorisation.

A non-derivative financial asset that would have met the definition of loans and receivables at initial recognition that was designated as available-for-sale may under exceptional circumstances be reclassified out of the available-for-sale category to the loans and receivables category if it meets the loans and receivables definition at the date of reclassification and if the Group intends and is able to hold the financial asset for the foreseeable future or until maturity. If a financial asset is so reclassified, it is reclassified at its fair value on the date of reclassification. The fair value at the date of reclassification becomes its new cost or amortised cost, as applicable. In the case of a financial asset with a

fixed maturity, the gain or loss already recognised in the available-for-sale reserve in equity is amortised to profit or loss over the remaining life using the effective interest method together with any difference between the new amortised cost and the maturity amount. In the case of a financial asset that does not have a fixed maturity, the gain or loss already recognised in the available-for-sale reserve in equity is recognised in profit or loss when the financial asset is sold or otherwise disposed.

#### **(l) Sale and repurchase agreements and lending of securities**

Securities sold subject to linked repurchase agreements are retained in the financial statements as appropriate when considering the de-recognition criteria contained within IAS 39. The securities retained in the financial statements are reflected as trading or investment securities and the counterparty liability is included in amounts owed to other depositors, deposits from other banks, or other money market deposits, as appropriate. Cash paid for securities purchased under agreements to resell at a pre-determined price are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

Securities lent to counterparties are retained in the financial statements and any interest earned recognised in profit or loss using the effective interest method.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

#### **(m) Parent Company investments in subsidiary undertakings and associates**

Parent Company investments in subsidiary undertakings and associates are recorded at cost. Impairments of Parent Company investments in subsidiary undertakings and associates are accounted for in the same way as impairments of other non-financial assets.

#### **(n) Impairments of financial assets**

##### **Indicators of impairment**

A provision for impairment is established if there is objective evidence that the Group will not be able to recover all amounts relating to the financial asset. Observable data that could come to the attention of the Group that could lead to a provision for impairment to be made include:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the counterparty's financial difficulty, grants to the counterparty a concession that the Group would not otherwise consider;
- It becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; and
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets, including:
  - adverse changes in the payment status of counterparties in the group of financial assets; or
  - national or local economic conditions that correlate with defaults on the assets in the group of financial assets.

In addition, for an available-for-sale financial asset, a significant or prolonged decline in the fair value below its cost is also objective evidence of impairment.

##### **Financial assets at amortised cost**

The amount of the impairment of a financial asset held at amortised cost is the difference between the carrying amount and the recoverable amount, being the value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the effective interest rate at initial recognition. In estimating future expected cash flows the Group looks at the contractual cash flows of the assets and adjusts these contractual cash flows for historical loss experience of assets with similar credit risks, with this adjusted to reflect any additional conditions that are expected to arise or to account for those which no longer exist. This is done to predict inherent losses which exist in the asset as at the reporting date but have not been reported.

The impairment provision also covers losses where there is objective evidence that losses are present in components of the loan portfolio at the reporting date, but these components have not yet been specifically identified. When a loan is uncollectable, it is written-off against the related impairment provision.

If the amount of impairment subsequently decreases due to an event occurring after the write-down, the release of the impairment provision is credited to profit or loss. Impairment reversals are limited to what the carrying amount would have been, had no impairment losses been recognised.

Interest income on impaired loans and receivables is recognised on the impaired amount using the original effective interest rate before the impairment.

**Available-for-sale financial assets**

The amount of the impairment loss of an available-for-sale financial asset is the cumulative loss that has been recognised in other comprehensive income, being the difference between the acquisition cost and the asset's current fair value, less any impairment loss on that asset previously recognised in profit or loss. For available-for-sale debt securities, fair value is determined as the present value of expected future cash flows discounted at the current market rate of interest.

All such impairments are recognised in profit or loss. The reversal of an impairment allowance in respect of a debt instrument categorised as available-for-sale is credited to profit or loss, the release in respect of an equity instrument categorised as available-for-sale is credited to the available-for-sale reserve within equity.

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**SELECTED NOTES TO THE OLD MUTUAL PLC GROUP HISTORICAL FINANCIAL INFORMATION  
SOLELY FOR JSE PURPOSES**

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**L: Segment information – Adjusted headline earnings****For the year ended 31 December 2017**

The Group is required to calculate headline earnings in accordance with the JSE Limited (JSE) Listings Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 02/2015 'Headline Earnings'. The tables below set out a reconciliation of profit attributable to equity holders of the parent to headline earnings, in accordance with that circular, and the Group's primary profit measure, Adjusted Headline Earnings.

	(R million)									
	Continuing operations					Discontinued operations				
	Emerging Markets	plc Head Office	Old Mutual Bermuda	Consolidation of funds	Total continuing operations	Nedbank	Old Mutual Wealth	Institutional Asset Management	Total discontinued operations	Consolidated income statement
<b>Profit/(loss) for the financial year attributable to equity holders of the parent</b>	10,415	(4,116)	412	(419)	6,292	6,411	1,451	218	8,080	14,372
Dividends paid to holders of perpetual preferred callable securities, net of tax credits	–	(253)	–	–	(253)	–	–	–	–	(253)
<b>Profit/(loss) attributable to ordinary equity holders</b>	10,415	(4,369)	412	(419)	6,039	6,411	1,451	218	8,080	14,119
<b>Adjustments:</b>										
Impairments of goodwill and other intangible assets	1,015	–	–	–	1,015	91	–	–	91	1,106
(Profit)/loss on disposal of subsidiaries, associated undertakings and strategic investments	(1,357)	(561)	–	–	(1,918)	–	(163)	–	(163)	(2,081)
<b>Headline earnings</b>	10,073	(4,930)	412	(419)	5,136	6,502	1,288	218	8,008	13,144
<b>Adjustments to headline earnings:</b>										
Investment return adjustment for Group equity and debt instruments held in policy holder and consolidated investment funds	936	–	–	419	1,355	–	–	–	–	1,355
Restructuring costs	54	–	–	–	54	–	–	–	–	54
Headline earnings from discontinued operations	–	–	–	–	–	(6,502)	(1,288)	(218)	(8,008)	(8,008)
Strategic investment in Nedbank	2,346	–	–	–	2,346	–	–	–	–	2,346
plc Head Office losses/(gains)	–	4,930	(412)	–	4,518	–	–	–	–	4,518
<b>Adjusted headline earnings</b>	13,409	–	–	–	13,409	–	–	–	–	13,409



**Segment information – Adjusted Headline Earnings for the year ended 31 December 2016**

(R million)

	Continuing operations					Discontinued operations				
	Emerging Markets	plc Head Office	Old Mutual Bermuda	Consolidation of funds	Total continuing operations	Nedbank	Old Mutual Wealth Management	Institutional Asset Management	Total discontinued operations	Consolidated income statement
<b>Profit/(loss) for the financial year attributable to equity holders of the parent</b>	6,977	(2,525)	(99)	–	4,353	5,617	(43)	1,424	6,998	11,351
Dividends paid to holders of perpetual preferred callable securities, net of tax credits	–	(278)	–	–	(278)	–	–	–	–	(278)
<b>Profit/(loss) attributable to ordinary equity holders</b>	6,977	(2,803)	(99)	–	4,075	5,617	(43)	1,424	6,998	11,073
<b>Adjustments:</b>										
Impairments of goodwill and other intangible assets	829	–	–	–	829	37	917	–	954	1,783
Impairment of investments in associated undertakings	–	–	–	–	–	557	–	–	557	557
(Profit)/loss on disposal of subsidiaries, associated undertakings and strategic investments	(63)	(159)	–	–	(222)	129	–	(306)	(177)	(399)
<b>Headline earnings</b>	7,743	(2,962)	(99)	–	4,682	6,340	874	1,118	8,332	13,014
<b>Adjustments to headline earnings:</b>										
Investment return adjustment for Group equity and debt instruments held in policy holder and consolidated investment funds	864	–	–	–	864	–	–	–	–	864
Restructuring costs	(124)	–	–	–	(124)	–	–	–	–	(124)
Headline earnings from discontinued operations	–	–	–	–	–	(6,340)	(874)	(1,118)	(8,332)	(8,332)
Strategic investment in Nedbank	2,282	–	–	–	2,282	–	–	–	–	2,282
plc Head Office losses	–	2,962	99	–	3,061	–	–	–	–	3,061
<b>Adjusted headline earnings</b>	10,765	–	–	–	10,765	–	–	–	–	10,765

## Segment information – Adjusted Headline Earnings for the year ended 31 December 2015

(R million)

	Continuing operations					Discontinued operations					
	Emerging Markets	plc Head Office	Old Mutual Bermuda	Consolidation of funds	Total continuing operations	Nedbank	Old Mutual Wealth Management	Institutional Asset	US Life	Total discontinued operations	Consolidated income statement
<b>Profit/(loss) for the financial year attributable to equity holders of the parent</b>	7,274	(2,348)	(607)	–	4,319	6,021	(112)	1,272	(406)	6,775	11,094
Dividends paid to holders of perpetual preferred callable securities, net of tax credits	–	(474)	–	–	(474)	–	–	–	–	–	(474)
<b>Profit/(loss) attributable to ordinary equity holders</b>	7,274	(2,822)	(607)	–	3,845	6,021	(112)	1,272	(406)	6,775	10,620
<b>Adjustments:</b>											
Impairments of goodwill and other intangible assets	(4)	–	–	–	(4)	19	(98)	350	–	271	267
(Profit)/loss on disposal of subsidiaries, associated undertakings and strategic investments	(292)	(1,376)	5	–	(1,663)	–	3,310	(8)	–	3,302	1,639
<b>Headline earnings</b>	6,978	(4,198)	(602)	–	2,178	6,040	3,100	1,614	(406)	10,348	12,526
<b>Adjustments to headline earnings:</b>											
Investment return adjustment for Group equity and debt instruments held in policy holder and consolidated investment funds	610	–	–	–	610	–	–	–	–	–	610
Restructuring costs	71	–	–	–	71	–	–	–	–	–	71
Headline earnings from discontinued operations	–	–	–	–	–	(6,040)	(3,100)	(1,614)	406	(10,348)	(10,348)
Strategic investment in Nedbank	2,155	–	–	–	2,155	–	–	–	–	–	2,155
plc Head Office losses	–	4,198	602	–	4,800	–	–	–	–	–	4,800
<b>Adjusted headline earnings</b>	9,814	–	–	–	9,814	–	–	–	–	–	9,814

## INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF THE OLD MUTUAL PLC GROUP FOR JSE PURPOSES

The Directors  
Old Mutual Limited  
Mutualpark  
Jan Smuts Drive  
Pinelands  
Cape Town  
7405

### Independent Reporting Accountant's Report on the Report of Historical Financial Information of the Old Mutual plc Group for JSE Purposes for the year ended 31 December 2017

The definitions in Annexe 18 to this Pre-listing Statement to which this letter is attached apply, *mutatis mutandis*, to this report.

#### 1. Introduction

At your request, and for the purposes of the Pre-listing Statement, we have audited the Historical Financial Information of the Old Mutual plc Group for the year ended 31 December 2017 and reviewed the Historical Financial Information of the Old Mutual plc Group for the years ended 31 December 2016 and 2015 presented in Annexes 1A, 1C and 1D, which together form the Report on Historical Financial Information of Old Mutual plc Group for the years ended 31 December 2017, 2016 and 2015 (collectively "Historical Financial Information for JSE Purposes"), for the purposes of this report.

The Historical Financial Information for JSE Purposes comprises the basis of preparation of the Historical Financial Information for JSE purposes only, the consolidated statements of financial position, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, a summary of significant accounting policies and other explanatory notes, as presented in Annexes 1A, 1C and 1D to the Pre-listing Statement, in compliance with IFRS and the JSE Listings Requirements.

KPMG Inc. is the independent reporting accountant to the Old Mutual plc Group for purposes of the Company's listing on the JSE.

#### 2. Part A – Historical Financial Information for JSE Purposes for the year ended 31 December 2017

##### 2.1 Unqualified Opinion on the Historical Financial Information for JSE Purposes for the year ended 31 December 2017

In our opinion, the Historical Financial Information for JSE Purposes for the year ended 31 December 2017, as set out in Annexes 1A, 1C and 1D to this Pre-listing Statement, presents fairly, in all material respects, for the purpose of the Pre-listing Statement the financial position of the Old Mutual plc Group as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with IFRS and the JSE Listings Requirements.

##### 2.2 Basis for Unqualified Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Independent Reporting Accountant's Responsibilities for the Historical Financial Information* section of our report. We are independent of the Old Mutual plc Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion on the Historical Financial Information for the year ended 31 December 2017.

## 2.3 Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Historical Financial Information for JSE Purposes for the year ended 31 December 2017. These matters were addressed in the context of our audit of the Historical Financial Information for JSE Purposes for the year ended 31 December 2017 as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- *Classification for assets and liabilities held for sale and distribution (Assets: R2,188,443 million and Liabilities: R2,043,759 million as included in note A4.2)*

Refer to the accounting policy on page 254 and the disclosures in notes A4.2 to the financial statements.

### *The key audit matter*

The application of accounting standards to determine the treatment of Nedbank and Quilter plc as assets and liabilities held for sale and distribution, is inherently subjective, particularly in determining whether the distribution is highly probable.

Accordingly, due to the significant judgement involved, the classification of assets and liabilities held for sale and distribution was considered a key audit matter.

### *How the matter was addressed in our audit*

We evaluated and challenged the directors' assumptions and judgements made behind the classification of both Nedbank and Quilter plc as held for sale and distribution, specifically whether the distributions will occur within 12 months of 31 December 2017, by comparing the assumptions and judgements to our own expectations based on our knowledge of the Group and intent of the directors by attending key Board committee meetings. We reviewed management's analysis to consider whether the high probability assessment was met at 31 December 2017, including the potential impacts that the remaining execution risks have on both distributions.

We corroborated these assumptions by reviewing management's accounting papers and key Board committee meeting minutes.

Further to this, we evaluated the adequacy of the disclosures made in relation to the treatment of both Nedbank and Quilter plc as held for distribution.

- *Valuation of loans and advances (Continuing Group: R21,483 million and classified as held for sale and distribution: R713,287 million as included in note G1 and G1.1 respectively)*

Refer to the notes G1 on page 325 and G1.1 on page 332 and accounting policy G1 on page 325 and specifically the disclosures in notes A3 and E to the financial statements.

### *The key audit matter*

The Group's loans and advances impairment assessment requires significant judgement and subjective assumptions, particularly the estimated stream of future cash flows and credit losses on the unsecured and commercial lending portfolios at Nedbank and Old Mutual Finance within Emerging Markets.

Collective impairments are calculated using models which rely on management's expert judgement and large historical datasets. Overlays may be applied to model outputs to cater for additional factors, and the valuation of these overlays can be highly subjective within Nedbank.

Due to the significant judgement and estimation involved in management's impairment calculation, this was considered a key audit matter.

### *How the matter was addressed in our audit*

Our procedures in this area included evaluating key controls over the loan approval, administration and monitoring processes. We also evaluated the historical accuracy of impairment provision models by comparing the historical projections versus actual losses.

We involved our internal credit specialists to assist us in assessing significant impairment models adopted by the Group and challenging the Group's assumptions by comparing them to externally available data in relation to key inputs such as historical default rates, recovery rates, collateral valuation, and economic growth rates. Further to this, we performed detailed testing over the specific provisions held against a sample of loans and advances by inspecting latest correspondence and credit committee minutes and evaluating collateral values from our independent calculation compared to those performed by management. We also attended the key Nedbank credit committee meetings.

We evaluated whether the adequacy of the disclosures made in relation to loan loss provisioning is consistent with IFRS and with the methodologies applied by the Directors.

### *For selected material models*

- We agreed data used in the models to the supporting systems and documentation.
- We performed a review of the macroeconomic models including inflation, interest rates, public sector and credit extension models.
- *Valuation of investments and securities (Continuing Group: R722,249 million and classified as assets held for sale and distribution: R1,236,927 million as included in note G2 and G2.1 respectively)*

Refer to the notes G2 on page 335 and G2.1 on page 337 and the accounting policy in note G2 to the financial statements, and specifically the disclosures in notes A3 and E to the financial statements.

#### *The key audit matter*

The Group holds and manages a significant investment and securities portfolio to meet its obligations under insurance and investment contracts and for shareholder investment purposes. The size of the portfolio and the judgements involved in applying the applicable valuation models and assessing the various unobservable market inputs, contributes to making the valuation of investments and securities a key area of focus within our audit.

#### *How the matter was addressed in our audit*

Our procedures in this area included testing the Group's key controls over the investment valuation process, monitoring performance of investments and the data integrity of the investment records.

We evaluated the allocation of these assets into the fair value hierarchy by placing specific emphasis on financial instruments where a greater degree of judgement is required. In addition:

- For investments and securities with a level 1 fair value hierarchy, we performed independent sample checks on the pricing used to value the instruments.
- For investments and securities with a level 2 fair value hierarchy, we used our internal valuation specialists and evaluated management's modelling and assumptions used based on our specialists' knowledge of the industry and external data, ensuring the reasonableness and consistency of assumptions across the Group.
- For unlisted debt with a level 3 fair value hierarchy, we evaluated the movement in the credit spreads over the period and also benchmarked the reasonability of the credit spreads to similar counterparties.

The estimation uncertainty is higher for those unlisted instruments that are classified as level 3 fair value hierarchy per IFRS 13 Fair Value Measurement, as significant elements of the valuation are not observable. We used our own valuation specialists to challenge the key inputs and assumptions, such as estimated cash flows and discount rates which drive the valuation, and to critically assess the valuation methodologies against current market best practice. Further to this, we evaluated the adequacy of the disclosures including the description of the fair value measurement process and whether the sensitivity to key inputs appropriately reflects the Group's exposure to financial instruments valuation risk.

- *Valuation of Life insurance contracts liabilities and investment contracts liabilities ("policyholder liabilities") (Aggregated policyholder liabilities for continuing Group: R641,103 million as included in note G6; and liabilities held for sale and distribution: R1,019,562 million as included in note G6.1)*

Refer to the accounting policy on page 342 and notes G6 starting on page 342 and G6.1 on page 356 and specifically the disclosures in notes A3 and E to the financial statements.

#### *The key audit matter*

The Group has incurred significant obligations in respect of policyholder liabilities related to life insurance contracts. Judgement is required over a variety of uncertain future outcomes, including the policy for creating and releasing discretionary margins, economic assumptions, such as discount rates, and operating assumptions, such as mortality/morbidity, maintenance expense and persistency.

The valuation of policyholder liabilities are also dependent on the completeness and accuracy of the data used in the valuation process which is reliant on a number of underlying systems and processes.

The key business units of the Group reviewed the appropriateness of the expense allocation bases during the course of 2017 with specific focus on refining the initial versus maintenance expense split. As part of this process, central project costs have now also been allowed for in the determination of policyholder liabilities for those products within scope for IFRS 4 Insurance Contracts and where a prospective valuation method is used.

Due to the significant judgement and estimation involved in the determination of the policyholder liabilities, this was considered a key audit matter.

#### *How the matter was addressed in our audit*

Our procedures in this area included testing the design, implementation and operating effectiveness of key controls over the identification, measurement and management of the Group's calculation of policyholder liabilities. We also evaluated the consistency of methodologies against prior years and the appropriateness of the assumptions used by the group. We evaluated whether the methodology used to determine the policyholder liabilities are consistent with the actuarial guidance and industry practice.

We involved our own internal actuarial specialists to assist us in evaluating the key assumptions used (refer to note G6.1) by management and the process followed for setting and updating these assumptions, particularly around persistency, expense and mortality/morbidity assumptions. This included testing the appropriateness of the data used in management's analysis prepared to set the assumptions. We referred to our own industry knowledge, external data and our views of experience to date, an understanding of which was enhanced through our attendance at the Old Mutual plc Group's internal review committee meetings.

In respect of the discretionary margins held, we tested and evaluated the Group's use and application of the established policy, with reference to industry-wide practice.

Following on from the refinement of expense assumptions in the current year we reviewed the processes and principles applied in allocating business unit expenses, including centrally allocated expenses, the split between initial and maintenance expenses and the split of expenses to different products. To assess the appropriateness of the additional central project costs allowed for in the policyholder liabilities, we reviewed the methodology used to identify project costs, how these were allocated to the different product types and eventually how the project costs were treated in the estimation models.

We agreed the data used in the valuation of policyholder liabilities to the policyholder administration systems via data reconciliations. The input data including premiums, claims and expenses were verified by testing the design, implementation and operating effectiveness of key controls over the policy administration systems.

Also, we examined management's Analysis of Surplus and placed focus on the key areas of profit and loss and obtained supporting evidence for large items and movements, ensuring that this was in line with our expectation and past experience.

- *Valuation of goodwill and other intangibles (Continuing Group: R6,653 million and classified as assets held for sale and distribution: R34,569 million as included in note H1)*

Refer to the note in H1 on page 372 and the accounting policy in note H1 on page 370 to the financial statements.

#### *The key audit matter*

The determination of goodwill and other intangible assets' (both acquired and internally generated) recoverable amount is complex and typically requires a high level of judgement, taking into account the different economic environments in which the Group operates. The most significant judgements arise over the forecast cash flows, discount rate and growth rate applied in the value-in-use valuation models.

Due to the significant judgements involved, the valuation of goodwill and other intangible assets was considered a key audit matter.

#### *How the matter was addressed in our audit*

We evaluated the cash flow forecasts and the corresponding assumptions, such as discount rates and growth rates based on our understanding of the relevant business and the industry and economic environment in which it operates. Additionally, we compared forecasts to business plans and also previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting and considered the appropriateness of the scenarios used, in the context of our wider business understanding.

We performed sensitivity analyses on the key assumptions in Quilter plc and the cash generating units in Emerging Markets. We involved our valuation specialists to assist us in evaluating the key assumptions and methodologies used by the Group, in particular those relating to discount rates, and growth rates, with reference to our own independent expectations, which were based on our industry knowledge and experience.

We evaluated the sensitivity of the relevant financial statement items to changes in the respective key assumptions to appropriately reflect the associated risks and comply with the requirements of relevant accounting standards.

### **2.4 Responsibilities of the Directors for the Historical Financial Information for JSE Purposes for the year ended 31 December 2017**

The Directors are responsible for the compilation, contents and preparation of the Pre-listing Statement including the Historical Financial Information for JSE Purposes for the year ended 31 December 2017 in accordance with the JSE Listings Requirements.

The Directors are also responsible for the preparation and fair presentation of the Historical Financial Information for JSE Purposes for the year ended 31 December 2017 in accordance with the IFRS and the JSE Listings Requirements, and for such internal control as the Directors determine is necessary to enable the preparation of Historical Financial Information for JSE Purposes for the year ended 31 December 2017 that is free from material misstatement, whether due to fraud or error.

In preparing the Historical Financial Information for JSE Purposes for the year ended 31 December 2017, the Directors are responsible for assessing the Old Mutual plc Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Old Mutual plc Group or to cease operations, or have no realistic alternative but to do so.

### **2.5 Independent Reporting Accountant's Responsibilities for the Historical Financial Information for JSE Purposes for the year ended 31 December 2017**

Our objectives are to obtain reasonable assurance about whether the Historical Financial Information for JSE Purposes for the year ended 31 December 2017 is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Historical Financial Information for JSE Purposes for the year ended 31 December 2017.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Historical Financial Information for JSE Purposes for the year ended 31 December 2017, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Old Mutual plc Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Old Mutual plc Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent reporting accountant's report to the related disclosures in the Historical Financial Information for JSE Purposes for the year ended 31 December 2017 or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent reporting accountant's report. However, future events or conditions may cause the Old Mutual plc Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Historical Financial Information for JSE Purposes for the year ended 31 December 2017, including the disclosures, and whether the Historical Financial Information for JSE Purposes for the year ended 31 December 2017 represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Old Mutual plc Group to express an opinion on the Historical Financial Information for JSE Purposes for the year ended 31 December 2017. We are responsible for the direction, supervision and performance of the Old Mutual plc Group audit. We remain solely responsible for our audit opinion.
- We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### 3. **Part B – Historical Financial Information for JSE Purposes for the years ended 31 December 2016 and 2015**

#### **3.1 Responsibilities of the Directors for the Historical Financial Information for JSE Purposes for the years ended 31 December 2016 and 2015**

The Directors are responsible for the compilation, contents and preparation of the Pre-listing Statement including the Historical Financial Information for JSE Purposes for the years ended 31 December 2016 and 2015 in accordance with IFRS and the JSE Listings Requirements.

The Directors are also responsible for the preparation and fair presentation of the Historical Financial Information for JSE Purposes for the years ended 31 December 2016 and 2015 in accordance with IFRS and the JSE Listings Requirements, and for such internal control as the Directors determine is necessary to enable the preparation of Historical Financial Information for JSE Purposes for the years ended 31 December 2016 and 2015 that is free from material misstatement, whether due to fraud or error.

#### **3.2 Independent Reporting Accountant's Responsibilities for the Historical Financial Information for JSE Purposes for the years ended 31 December 2016 and 2015**

Our responsibility is to express review conclusions on the Historical Financial Information for JSE Purposes for the years ended 31 December 2016 and 2015 based on our reviews in accordance with International Standard on Review Engagement ISRE 2410: *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Historical Financial Information for JSE Purposes for the years ended 31 December 2016 and 2015, taken as a whole, is not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

#### **3.3 Scope of review**

A review of the Historical Financial Information for JSE Purposes for the years ended 31 December 2016 and 2015 in accordance with ISRE 2410 is a limited assurance engagement in terms of which we perform procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly we do not express an audit opinion on the Historical Financial Information for JSE Purposes for the years ended 31 December 2016 and 2015.

### **3.4 Conclusion on the Historical Financial Information for JSE Purposes for the years ended 31 December 2016 and 2015**

Based on our reviews, nothing has come to our attention that causes us to believe that the Historical Financial Information for JSE Purposes for the years ended 31 December 2016 and 2015, as set out in Annexes 1A, 1C and 1D to the Pre-listing Statement is not prepared, in all material respects, in accordance with the requirements of ISRE 2410 and the JSE Listings Requirements.

## **4. Consent**

We consent to act in the capacity as independent reporting accountant to the Old Mutual plc Group for purposes of the listing of the Company on the Main Board of the JSE, and for no other purpose. We confirm that we have not withdrawn our consent prior to the date of publication of the Pre-listing Statement.

### **KPMG Inc.**

GM Pickering

Director

Registered Auditor

13 April 2018

1 Mediterranean Street

Foreshore

Cape Town City Centre

Cape Town, 8001

(PO Box 4609, Cape Town, 8000)



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## INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF THE OLD MUTUAL PLC GROUP SOLELY FOR PD REGULATION PURPOSES

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The Directors  
Old Mutual Limited  
Mutualpark  
Jan Smuts Drive  
Pinelands  
Cape Town  
7405

20 April 2018

Ladies and Gentlemen

### 1. **Old Mutual plc**

We report on the financial information set out in Annexe 1B and Annexe 1C for the 3 years ended 31 December 2017. This financial information has been prepared for inclusion in the Pre-listing Statement dated 20 April 2018 of the Company on the basis of the accounting policies set out in section 1 of Annexe 1C to the Pre-listing Statement. This report is required by paragraph 20.1 of Annex I of the PD Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

### 2. **Responsibilities**

The Directors are responsible for preparing the financial information on the basis of preparation set out in Annexe 1B to the Pre-listing Statement.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the Pre-listing Statement.

### 3. **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the UK. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### 4. **Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the Pre-listing Statement dated 20 April 2018, a true and fair view of the state of affairs of the Old Mutual plc Group as at 31 December 2015, 2016 and 2017 and of its profits, cash flows and recognised gains and losses and changes in equity for the 12 month periods ended 31 December 2015, 2016 and 2017 in accordance with the basis of preparation set out in Annexe 1B to the Pre-listing Statement and in accordance with International Financial Reporting Standards as issued by the IASB as described in Annexe 1B to this Pre-listing Statement.

## 5. Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Pre-listing Statement in compliance with paragraph 1.2 of Annex I of the PD Regulation.

Yours faithfully

### **KPMG LLP**

*Chartered Accountants*

15 Canada Square  
London  
E14 5GL

20 April 2018

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## REPORT OF HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

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**Contacts***Public Officer:***G Eaves***Independent Auditor:***KPMG Inc.**

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7405  
South Africa

*Registration no.:*

2017/235138/07

*Prepared:*

Under supervision of  
R van Zyl  
Financial Controller  
BAccHons, CA(SA)

These financial statements have been audited in compliance with the applicable requirements of the Companies Act.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for the preparation and fair presentation of the annual financial statements of Old Mutual Proprietary Limited, comprising the statement of financial position as at 31 January 2018, and the statement of changes in equity and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and Interpretations of IFRS standards, as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and the directors' report.

The annual financial statements are based upon appropriate accounting policies consistently applied throughout the Company and supported by reasonable and prudent judgements and estimates. The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Company is currently dormant and does not hold any investments as it has been incorporated to be the holding company of various entities held by Old Mutual plc. The financial statements have therefore been prepared on a going concern basis in anticipation of the various investments it will hold in the future.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

### **Approval of the annual financial statements**

The annual financial statements of Old Mutual Limited, as identified in the first paragraph, were approved and signed by the directors:

**TA Manuel**  
Chairman

**MP Moyo**  
Director

## DIRECTORS' REPORT

The directors of Old Mutual Limited have pleasure in submitting their report on the annual financial statements for the period ended 31 January 2018.

### Business activities

The Company was registered and incorporated as K2017235138 (South Africa) (Pty) Limited on 29 May 2017. The Company operates under the Companies Act. The name was changed to Old Mutual (Pty) Ltd on 9 September 2017 with a view to be the holding company of a South African based integrated financial services group that provides life insurance, general insurance, savings and retirement funding and banking products in South Africa and in other emerging markets.

The Company was incorporated with a year end of 28 February. On 29 January 2018 the Company lodged an application with the Commissioner to change its year end to 31 January 2018.

The Company does not currently hold any direct or indirect interests in subsidiaries, joint ventures or associates.

### Business developments

In March 2016 Old Mutual plc announced that it intended to undertake a managed separation which would ultimately deliver two separate entities into the hands of Old Mutual plc Shareholders. One entity, Quilter plc, would consist principally of Old Mutual plc's UK wealth management operations. The other entity, being the Company, would be the holding company of the Group and consist principally of Old Mutual plc's emerging markets operations.

In terms of the managed separation proposal the Company will become the holding company of Old Mutual plc and application will be made for the Company to have a primary listing on the main board of the JSE and for it to be admitted to the standard listing segment of the UK Official List and admitted to trading on the LSE's main market for listed securities. The Company will also apply for secondary listings on the Namibian Stock Exchange, the Zimbabwean Stock Exchange and the Malawi Stock Exchange.

The Group is a premium African financial services group that offers a broad spectrum of financial solutions to retail and corporate customers across key markets in 17 countries. The Group primarily operates in South Africa and the rest of Africa, and has niche businesses in Latin America and Asia. Its African operations include a 52% shareholding in Nedbank, which will be reduced to 19.9% after the Nedbank Unbundling.

The Group announced on 10 January 2018 that the Competition Tribunal has approved the acquisition of Old Mutual plc by the newly incorporated Old Mutual (Pty) Limited, as was recommended by the Competition Commission. This approval by the Competition Tribunal is a significant step towards the listing of Old Mutual (Pty) Limited as a standalone entity this year.

The Company is in the process of changing its year end to 31 December in order to align with the year end of the current Old Mutual plc group.

### Review of results

The Company has been dormant since incorporation and therefore has not presented an income statement, statements of comprehensive income and cash flows. It has presented a statement of financial position, statement of changes in equity, and accompanying notes.

### Share capital

The Company was incorporated with an authorised share capital of 1,000 and issued share capital of R1.

### Dividends

No dividends were declared or paid in the reporting period.

### Public interest score

The Company's public interest score, as determined in accordance with the relevant provisions of the Companies Act, is 2.

### Directors

On 29 May 2017 Carin Ogden was appointed as a director. On 6 March 2018 she resigned as a director.

The following directors of the Company at the date of the report, were appointed on 5 March 2018:

Executive directors	Nationality
MP Moyo	South African
IG Johnson	South African

<b>Non-executive directors</b>	<b>Nationality</b>
TA Manuel (Chairman)	South African
PC Baloyi	South African
V Naidoo	South African
BM Rapiya	South African
<b>Indepent non-executive directors</b>	<b>Nationality</b>
PG de Beyer	South African
MM du Toit	South African
AK Essien	Ghanain
I Kgaboesele	South African
JR Lister	British
SM Magwentshu-Rensburg	South African
NT Moholi	South African
TM Mokgosi-Mwantembe	South African
CWN Molope	South African
JI Mwangi	Kenyan
IS Sehooie	South African
SW van Graan	South African

The directors did not earn any remuneration during the period ended 31 January 2018.

The Company is in the process of putting in place appropriate governance structures in order to effect the Managed Separation. In addition processes are in place to ensure compliance with the listing requirements of the relevant exchanges where the Company will be listed.

### **Company Secretary**

The secretary of the Company is Ms E M Kirsten.

Registered office:	Postal address:
Mutualpark	PO Box 66
Jan Smuts Drive	Cape Town
Pinelands	8000
7405	South Africa
South Africa	

### **Auditor**

KPMG Inc. was appointed in accordance with section 90(2) of the Companies Act.

### **Events after the reporting period**

On 6 March 2018 resolutions were signed to appoint or update the following:

- Company to be converted from a private company to a public company (subject to approval of the Commissioner)
- The name of the Company to be changed to "Old Mutual Limited"
- The authorised share capital of the Company to be increased from 1,000 ordinary shares to 10,000,000,000 ordinary shares
- New directors appointed as disclosed elsewhere in this report
- KPMG Inc. was appointed as the independent auditor of the Company
- Updates to the Company's registered and postal address as disclosed elsewhere in this report
- Ms EM Kirsten appointed as the company secretary

### **Going concern**

The Company is currently dormant and does not hold any investments as it has been incorporated to be the holding company of various entities held by Old Mutual plc. The financial statements have therefore been prepared on a going concern basis in anticipation of the various investments it will hold in the future.

## **INDEPENDENT AUDITOR'S REPORT**

### **To the shareholder of Old Mutual Limited**

#### **Opinion**

We have audited the financial statements of Old Mutual Proprietary Limited set out on pages 443 to 446, which comprise the statement of financial position as at 31 January 2018, and the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Old Mutual Proprietary Limited as at 31 January 2018, and its financial performance for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

The directors are responsible for the other information. The other information comprises the Directors' Report and Directors' responsibility statement as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the Directors for the Financial Statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Inc.

Registered Auditor

**Per: G M Pickering**  
Chartered Accountant (SA)  
Registered Auditor  
Director

1 Mediterranean Street  
Foreshore  
Cape Town  
8001

Date: 13 April 2018



## STATEMENT OF FINANCIAL POSITION

as at 31 January 2018

		Rands
	Notes	2018
<b>Assets</b>		
Other receivables	3	1
<b>Total assets</b>		<b>1</b>
<b>Equity</b>		
Share capital	4	1
<b>Total equity</b>		<b>1</b>

## STATEMENT OF CHANGES IN EQUITY

for the period ended 31 January 2018

				Rands
	Note	Share capital	Retained earnings	Total equity
Shareholder's equity at beginning of period	-	-	-	-
<b>Profit after tax for the financial period</b>	-	-	-	-
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income for the financial period</b>	-	-	-	-
<b>Transactions with the owners of the Company:</b>				
<b>Issue of share capital</b>	4	1	-	1
<b>Transactions with shareholders</b>	-	-	-	-
<b>Shareholder's equity at end of period</b>	-	1	-	1

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 January 2018

### 1. Accounting policies

#### 1.1 Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the South African Companies Act, 2008. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

#### 1.2 Basis of preparation

The financial statements provide information about the financial position of the Company and have been prepared under historical cost convention. The accounting policies applied have been consistently applied to all periods presented.

The Company has been dormant since incorporation and therefore has not presented an income statement, statements of comprehensive income and cash flows. It has presented a statement of financial position, statement of changes in equity, and accompanying notes.

There are no material accounting policies given the nature of any transactions. There are a number of new accounting standards and interpretations effective in later years, but as the Company is currently dormant these would have no implications and have therefore not been disclosed. These standards will be applied and disclosed as they become applicable to relevant transactions.

The Company financial statements have been prepared on the going concern basis, which the directors believe to be appropriate having taken into consideration the matters set out in the directors' report.

The Company financial statements are presented in Rands, unless otherwise indicated. The South African Rand is the Company's functional currency.

### 1.3 *Share Capital*

Ordinary share capital is classified as equity if they are non-redeemable by the shareholder and any dividends are discretionary.

### 1.4 *Financial instruments*

Financial instruments comprise of other receivables.

#### *Recognition of financial instruments*

Financial instruments are recognised when, and only when, the Company becomes a party to the contractual provisions of the particular instrument.

#### *Initial measurement*

Financial instruments are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified as at fair value through profit or loss or available-for-sale. Loans and receivables are initially recognised at fair value. Subsequent to initial measurement, loans and receivables including those made to fellow group undertakings, are measured at amortised cost using the effective interest method less any impairment losses. Interest received is recognised as part of investment income. All loan and receivables are recognised when cash is advanced to borrowers.

## 2. **Statement of financial position – assets and liabilities**

Categories of financial instruments

The analysis of assets and liabilities into their categories is set out in the following table.

	<b>Rands</b>	
	<b>Loans and receivables</b>	<b>Total</b>
<b>At 31 January 2018</b>		
<b>Assets</b>		
Other receivables	1	1
<b>Total assets</b>	1	1

## 3. **Other receivables**

	<b>Rands</b>
	<b>2018</b>
Other receivables	1

The above loan is interest-free and has no fixed terms of repayment.

## 4. **Share capital**

	<b>Rands</b>
	<b>2018</b>
<b>Authorised share capital</b>	
1,000 no par value ordinary shares	–
<b>Issued share capital</b>	
1 no par value ordinary shares	1

On 6 March 2018 a resolution was signed to increase the authorised share capital to 10,000,000,000 shares.

### *Unissued shares*

Unissued shares are under the control of the directors until the forthcoming annual general meeting.

## 5. **Taxation**

The Company has been dormant since incorporation and is currently not liable for any taxation.

## 6. **Related parties**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company. Key management personnel comprise of Carin Ogden. Key management personnel did not receive remuneration or other compensation.

The Company does not have any Prescribed Officers in terms of the Companies Act

### *Shares issued to directors during the period*

The total number of shares issued to the director of the Company in the issued ordinary share capital of the Company detailed in the following table:

	Issued (Number)	Consideration received (Rands)
<b>At 31 January 2018</b>		
<b>Shareholder</b>		
C Ogden	1	1

## 7. **Commitments**

### **Enterprise development**

The Company committed R500 million to a new ring-fenced Enterprise and Supplier Development Fund to support small businesses and Black-owned businesses. The funding will be generated over a three-year period following the listing of the Company.

### **Black economic empowerment**

The Company undertook to ensure that black economic empowerment shareholding is at least 25% of issued share capital of the group within 3 years from the implementation date of the transaction. In addition the Company undertook to ensure that the effective black economic empowerment shareholding in the Company shall, within 5 years of the implementation date, not be less than the effective black economic shareholding of the best empowered peer company at the implementation date.

## 8. Events after the reporting period

On 6 March 2018 resolutions were signed to appoint or update the following:

- Company to be converted from a private company to a public company (subject to approval of the Commissioner)
  - The name of the Company to be changed to “Old Mutual Limited”
  - The authorised share capital of the Company to be increased from 1,000 ordinary shares to 10,000,000,000 ordinary shares
  - New directors appointed as disclosed elsewhere in this report
  - KPMG Inc. was appointed as the independent auditor of the Company
  - Updates to the Company’s registered and postal address as disclosed elsewhere in this report
  - Ms E M Kirsten appointed as the company secretary
- (i) Companies Act No. 71 of 2008 section 30(3)(c): approved by the Board and signed by an authorised director.
- (ii) Companies Act No. 71 of 2008 section 88(2)(e): certify in the company’s annual financial statements whether the company has filed required returns and notices in terms of the Act, and whether all such returns and notices appear to be true, correct and up to date.
- (iii) Companies Act No. 71 of 2008 section 30(3)(b): must include report with respect to state of affairs, the business and profit or loss of the Group, including any matter material for shareholders to appreciate the state of affairs and any prescribed information.
- (iv) Companies Act No. 71 of 2008 section 30(3)(a).
- (v) Companies Act No. 71 of 2008 sections 29(1)(e)(i) and 29(1)(e)(ii).
- (vi) Companies Act No. 71 of 2008 section 30(4)(d).

# INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

The Directors  
Old Mutual Limited  
Mutualpark  
Jan Smuts Drive  
Pinelands  
Cape Town  
7405

## **Independent Reporting Accountants' Report on the Report of Historical Financial Information of the Company from 29 May 2017 to 31 January 2018**

The definitions in Annexe 18 of the Pre-listing Statement to which this letter is attached apply, *mutatis mutandis*, to this report.

### **1. Introduction**

At your request, and for the purposes of the Pre-listing Statement, we have audited the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018 (collectively, "Historical Financial Information").

The Historical Financial Information comprises the basis of preparation of the Historical Financial Information of the Company for JSE purposes only, the statements of financial position, a summary of significant accounting policies and other explanatory notes, as presented in Annexe 6A to the Pre-listing Statement, in compliance with IFRS and the JSE Listings Requirements.

KPMG Inc. is the independent reporting accountant to the Company.

### **2. Historical Financial Information of the Company from 29 May 2017 to 31 January 2018**

#### **2.1 Unqualified Opinion on the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018**

In our opinion, the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018, as set out in Annexe 3 to the Pre-listing Statement, presents fairly, in all material respects, for the purpose of the Pre-listing Statement the financial position of the Company from 29 May 2017 to 31 January 2018 in accordance with IFRS and the JSE Listings Requirements.

#### **2.2 Basis for Unqualified Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Independent Reporting Accountant's Responsibilities for the Historical Financial Information section of our report. We are independent of the Company in accordance with the IRBA Code and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion on the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018.

#### **2.3 Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Historical Financial Information of the Company from 29 May 2017 to 31 December 2017. These matters were addressed in the context of our audit of the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018 as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

No key audit matters were identified in respect of our audit of the Historical Financial Information of the Company.

## **2.4 Responsibilities of the Directors for the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018**

The Directors are responsible for the compilation, contents and preparation of the Pre-listing Statement including the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018 in accordance with the JSE Listings Requirements.

The Directors are also responsible for the preparation and fair presentation of the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018 in accordance with IFRS and the JSE Listings Requirements, and for such internal control as the Directors determine is necessary to enable the preparation of Historical Financial Information of the Company from 29 May 2017 to 31 January 2018 that is free from material misstatement, whether due to fraud or error.

In preparing the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **2.5 Independent Reporting Accountant's Responsibilities for the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018**

Our objectives are to obtain reasonable assurance about whether the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018 is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Historical Financial Information from 29 May 2017 to 31 January 2018.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent reporting accountants' report to the related disclosures in the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018 or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent reporting accountant's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018, including the disclosures, and whether the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018 represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Historical Financial Information of the Company from 29 May 2017 to 31 January 2018. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## 2.6 **Consent**

We consent to act in the capacity as independent reporting accountant to the Company for purposes of the listing of the Company on the Main Board of the JSE, and for no other purpose. We confirm that we have not withdrawn our consent prior to the date of publication of the Pre-listing Statement.

### **KPMG Inc.**

GM Pickering

*Director*

*Registered Auditor*

13 April 2018

1 Mediterranean Street

Foreshore

Cape Town City Centre

Cape Town, 8001

(PO Box 4609, Cape Town, 8000)

## BASIS OF COMPILATION AND REPORTING ON *PRO FORMA* FINANCIAL INFORMATION OF THE GROUP

The *pro forma* consolidated income statement for the financial year ended 31 December 2017 and a *pro forma* statement of financial position as at 31 December 2017 are set out as follows:

- Annexe 5C: The *pro forma* financial information and the detailed notes thereto;
- Annexe 5A: Basis of compilation in respect of the *Pro forma* Financial Information of the Group for JSE Purposes;
- Annexe 5B: Basis of compilation in respect of the *Pro forma* Financial Information of the Group prepared in accordance with the UK Prospectus Regime for PD Regulation Purposes;
- Annexes 5A and 5C together jointly form the *Pro forma* Financial Information of the Group for JSE Purposes; and
- Annexes 5B and 5C together jointly form the *Pro forma* Financial Information of the Group for PD Regulation Purposes (as defined in Annexe 18 to this Pre-listing Statement).

Although the independent reporting accountant's report and basis of compilation required to comply with the JSE Listings Requirements is different to that required to comply with the UK Prospectus Regime, no adjustments have been required to Annexe 5C to this Pre-listing Statement under the 2 regimes.

The reason for 2 bases of preparation, namely, Annexes 5A and 5B to this Pre-listing Statement is that the accounting frameworks used for the preparation of the *Pro forma* Financial Information of the Group are different in terms of the regulatory requirements of each of the JSE Listings Requirements and the UK Prospectus Regime.

In addition, the reporting requirements under which the reporting accountants' reports are prepared for purposes of the JSE Listings Requirements and the PD Regulation are different, necessitating the issuance of a reporting accountant's report by KPMG Inc. for the purpose of the Admission on the JSE and a separate reporting accountant's report by KPMG LLP for purposes of the PD Regulation.

The differences are as follows:

- The JSE requires a reporting accountant's report to be issued in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro forma* Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board. The reporting accountant's report for JSE purposes, issued by KPMG Inc. is set out in Annexe 6A to this Pre-listing Statement. The accounting framework for the preparation of the *Pro forma* Financial Information of the Group is paragraphs 8.15 to 8.34 of the JSE Listings Requirements and the Revised Guide on *Pro forma* Financial Information, issued by SAICA and is set out in Annexe 5A to this Pre-listing Statement;
- The UK Prospectus Regime requires the preparation of an independent reporting accountant's report in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The reporting accountant's report for the purposes of the PD Regulation, issued by KPMG LLP, is set out in Annexe 6B to this Pre-listing Statement. The requirements for the preparation of the *Pro forma* Financial Information of the Group for UK Prospectus Regime purposes are contained in Annex II of the PD Regulation; and
- KPMG Inc.'s and KPMG LLP's unmodified independent reporting accountant's reports on the *Pro forma* Financial Information of the Group are set out in Annexe 6A and Annexe 6B to this Pre-listing Statement, respectively. The report by KPMG Inc. is included solely to comply with the requirements of the JSE Listings Requirements. The report by KPMG LLP is included solely for the purposes of complying with Paragraph 7 of Annex II of the PD Regulation. The rules and regulations related to the preparation of the *Pro forma* Financial Information of the Group in other jurisdictions may vary significantly from the requirements applicable in South Africa and the United Kingdom. The reporting on the *Pro forma* Financial Information of the Group by KPMG Inc. and KPMG LLP has not been carried out in accordance with the auditing standards generally accepted in the United States and accordingly should not be relied upon by investors as if it had been carried out in accordance with those standards or any other standards besides the South African requirements and the United Kingdom requirements, respectively, discussed in the respective independent reporting accountant's reports.



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## **BASIS OF COMPILATION OF THE *PRO FORMA* FINANCIAL INFORMATION OF THE GROUP FOR JSE PURPOSES**

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The *Pro forma* Financial Information of the Group set out in Annexe 5C to this Pre-listing Statement has been prepared in terms of paragraphs 8.15 to 8.34 of the JSE Listings Requirements and The Revised Guide on *Pro forma* Financial Information, issued by SAICA, for purposes of the Admission on the JSE.

The *Pro forma* Financial Information of the Group set out in Annexe 5C to this Pre-listing Statement has been opined on by KPMG Inc. in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board.

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## **BASIS OF COMPILATION OF THE *PRO FORMA* FINANCIAL INFORMATION OF THE GROUP FOR PD REGULATION PURPOSES**

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The *Pro forma* Financial Information of the Group for PD Regulation Purposes (as defined in Annexe 18 to this Pre-listing Statement) set out in Annexe 5C to this Pre-listing Statement has been prepared in accordance with the UK Prospectus Regime for the purpose of the PD Regulation.

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## PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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The *Pro forma* Financial Information of the Group (as defined in Annexe 18 to the Pre-listing Statement) has been prepared for illustrative purposes only, and because of its nature addresses a hypothetical situation and therefore does not reflect the Group's actual financial position or results. The *Pro forma* Financial Information of the Group is compiled on the basis set out below and in accordance with the requirements of paragraphs 8.15 to 8.34 of the JSE Listings Requirements and Annex II of the PD Regulation. This *Pro forma* Financial Information of the Group does not constitute financial statements within the meaning of section 434 of the UK Companies Act. No account has been taken of the trading results or other changes in the financial position since 31 December 2017, except for the adjustments in respect of the Managed Separation as set out in notes below.

The *Pro forma* Financial Information of the Group is based on the Report of Historical Financial Information of the Old Mutual plc Group as at and for the year ended 31 December 2017 (prior to the Managed Separation) as set out in Annexes 1C and 1D to this Pre-listing Statement.

The *Pro forma* Financial Information of the Group has been prepared to illustrate the effect of the Managed Separation on the financial position and income statement of the Group, as if the Managed Separation had taken place on 1 January 2017 for income statement purposes and on 31 December 2017 for the statement of financial position purposes. The effects of the Managed Separation are shown in 3 parts:

- Part 1 – the Quilter plc Demerger, Quilter plc Admissions and Quilter plc Share Sale;
- Part 2 – the impact of the Second Scheme, followed by the Admissions of the Company. This also includes the impact of the agreed disposal of the businesses in Latin America and the impact of the execution of the Second Scheme on certain share schemes; and
- Part 3 – the impact of the Nedbank Unbundling, which will be implemented subsequent to the Admissions.

The Quilter plc Demerger, the Quilter plc Share Sale, the Second Scheme, the Admissions, the disposal of the businesses in Latin America and the Nedbank Unbundling are collectively referred to as the "Transactions" for purposes of Annexe 5C.

The calculations of the amounts relating to each specific adjustment have been made using the financial information available to the Company at the Last Practicable Date, unless otherwise stated.

The *Pro forma* Financial Information of the Group has been prepared using the accounting policies of the Company, which are consistent with those of Old Mutual plc, as applied in the Historical Financial Information of the Old Mutual plc Group attached as Annexes 1C and 1D to this Pre-listing Statement, and which comply with IFRS.

The *Pro forma* Financial Information of the Group is the responsibility of the Directors.

**Pro forma consolidated income statement of the Group for the year ended 31 December 2017<sup>(1)</sup>**

PART 1					PART 2				PART 3					
	Old Mutual plc before pro forma adjustments <sup>(2)</sup> Audited Rm	Quilter plc: remove trading result <sup>(3)</sup> Pro forma Rm	Quilter plc Demerger and Quilter plc Admission <sup>(4)</sup> Pro forma Rm	Consolida- tion Journals Pro forma Rm	After Quilter plc Demerger and Quilter plc Admission Pro forma Rm	Admissions of the Ordinary Shares <sup>(5)</sup> Pro forma Rm	Share schemes <sup>(6)</sup> Pro forma Rm	Disposal of LatAm <sup>(7)</sup> Pro forma Rm	After Schemes, Quilter plc Demerger, Quilter plc Admission and Disposal of LatAm <sup>(8)</sup> Pro forma Rm	Nedbank: remove trading result <sup>(9)</sup> Pro forma Rm	Nedbank partial distribution <sup>(10)</sup> Pro forma Rm	Nedbank: equity accounting <sup>(11)</sup> Pro forma Rm	Consolida- tion Journals Pro forma Rm	The Group after pro forma adjustments Pro forma Rm
REVENUE														
Gross earned premiums	72,456				72,456			(113)	72,343					72,343
Outward reinsurance	(6,713)				(6,713)				(6,713)					(6,713)
Net earned premiums	65,743	–	–		65,743	–	–	(113)	65,630	–	–	–	–	65,630
Investment return (non-banking)	93,921				93,921			(144)	93,777					93,777
Banking interest and similar income	4,394				4,394				4,394					4,394
Banking trading, investment and similar income	97				97				97					97
Fee and commission income, and income from service activities	11,547			345	11,892			(1,829)	10,063				836	10,899
Other income	1,884				1,884			(25)	1,859					1,859
Total revenue	177,586	–	–	345	177,931	–	–	(2,111)	175,820	–	–	–	836	176,656
EXPENSES														
Claims and benefits (including change in insurance contract provisions)	(91,759)				(91,759)			120	(91,639)					(91,639)
Reinsurance recoveries	5,410				5,410				5,410					5,410
Net claims and benefits incurred	(86,349)	–	–		(86,349)	–	–	120	(86,229)	–	–	–	–	(86,229)
Change in investment contract liabilities	(30,359)				(30,359)				(30,359)					(30,359)
Credit impairment charges	(715)				(715)				(715)					(715)
Finance costs	(4,012)				(4,012)				(4,012)					(4,012)
Banking interest payable and similar expenses	(1,278)				(1,278)				(1,278)					(1,278)
Fee and commission expenses, and other acquisition costs	(8,992)				(8,992)			633	(8,359)					(8,359)
Change in third-party interest in consolidated funds	(11,405)				(11,405)			–	(11,405)					(11,405)
Other operating and administrative expense	(26,993)		(213)	(90)	(27,296)	(620)	(460)	1,261	(27,115)		(37)		(193)	(27,345)
Total expenses	(170,103)	–	(213)	(90)	(170,406)	(620)	(460)	2,014	(169,472)	–	(37)	–	(193)	(169,702)
Share of associated undertakings' and joint ventures' profit after tax	160				160			(2)	158			2,558		2,716
Profit on disposal of subsidiaries, associated undertakings and strategic investments	1,987		(2,088)		(101)			108	7		22,624			22,631
Profit before tax	9,630	–	(2,301)	255	7,584	(620)	(460)	9	6,513	–	22,587	2,558	643	32,301
Income tax expense	(4,118)		–	(49)	(4,167)			186	(3,981)				(180)	(4,161)
Profit from continuing operations after tax	5,512	–	(2,301)	206	3,417	(620)	(460)	195	2,532	–	22,587	2,558	463	28,140
Discontinued operations														
Profit/(loss) from discontinued operations after tax	14,852	(1,451)		(206)	13,195			–	13,195	(12,347)			(463)	385
Profit after tax for the financial year	20,364	(1,451)	(2,301)	–	16,612	(620)	(460)	195	15,727	(12,347)	22,587	2,558	–	28,525
Attributable to														
Equity holders of the parent	14,372	(1,451)	(2,301)	–	10,620	(620)	(460)	195	9,735	(6,411)	22,587	2,558	–	28,469
Non-controlling interests								–	–					–
– Ordinary shares	5,401				5,401			–	5,401	(5,345)			–	56
– Preferred securities	591				591				591	(591)				–

PART 1					PART 2				PART 3				
Old Mutual plc before <i>pro forma</i> adjustments <sup>(2)</sup> Audited Rm	Quilter plc: remove trading result <sup>(3)</sup> <i>Pro forma</i> Rm	Quilter plc Demerger and Quilter plc Admission <sup>(4)</sup> <i>Pro forma</i> Rm	Consolida- tion Journals <i>Pro forma</i> Rm	After Quilter plc Demerger and Quilter plc Admission <i>Pro forma</i> Rm	Admissions of the Ordinary Shares <sup>(5)</sup> <i>Pro forma</i> Rm	Share schemes <sup>(6)</sup> <i>Pro forma</i> Rm	Disposal of LatAm <sup>(7)</sup> <i>Pro forma</i> Rm	After Schemes, Quilter plc Demerger, Quilter plc Admission and Disposal of LatAm <sup>(8)</sup> <i>Pro forma</i> Rm	Nedbank: remove trading result <sup>(9)</sup> <i>Pro forma</i> Rm	Nedbank partial distribution <sup>(10)</sup> <i>Pro forma</i> Rm	Nedbank: equity accounting <sup>(11)</sup> <i>Pro forma</i> Rm	Consolida- tion Journals <i>Pro forma</i> Rm	The Group after <i>pro forma</i> adjustments <i>Pro forma</i> Rm
<b>Profit/(loss) attributable to equity holders</b>	<b>14,372</b>	<b>(1,451)</b>	<b>(2,301)</b>	<b>10,620</b>	<b>(620)</b>	<b>(460)</b>	<b>195</b>	<b>9,735</b>	<b>(6,411)</b>	<b>22,587</b>	<b>2,558</b>		<b>28,469</b>
Dividends paid to holders of perpetual preferred callable securities, net of tax credits	(253)			(253)				(253)					(253)
<b>Profit/(loss) attributable to ordinary equity holders</b>	<b>14,119</b>	<b>(1,451)</b>	<b>(2,301)</b>	<b>10,367</b>	<b>(620)</b>	<b>(460)</b>	<b>195</b>	<b>9,482</b>	<b>(6,411)</b>	<b>22,587</b>	<b>2,558</b>		<b>28,216</b>
Impairments of goodwill and other intangibles	<b>1,106</b>			1,106			(276)	830					<b>830</b>
(Profit)/loss on disposal of subsidiaries, associated undertakings and strategic investments	<b>(2,081)</b>		2,088	7			(108)	(101)		(22,624)			<b>(22,725)</b>
<b>Headline earnings</b>	<b>13,144</b>	<b>(1,451)</b>	<b>(213)</b>	<b>11,480</b>	<b>(620)</b>	<b>(460)</b>	<b>27</b>	<b>10,211</b>	<b>(6,411)</b>	<b>(37)</b>	<b>2,558</b>		<b>6,321</b>
Weighted average number of Ordinary Shares in issue (millions) <sup>(12)</sup>	<b>4,633</b>												4,633
<b>Basic earnings/(loss) per Ordinary Share (cents)</b>													
Continuing operations	116.5												<b>595.9</b>
Discontinued operations	182.8												<b>18.5</b>
<b>Total operations</b>	<b>304.7</b>												<b>614.5</b>
<b>Headline earnings/(loss) per Ordinary Share (cents)</b>													
Continuing operations	110.9												<b>576.5</b>
Discontinued operations	172.8												<b>(440.1)</b>
<b>Total operations</b>	<b>283.7</b>												<b>136.4</b>

<b>Notes:</b>														
1. Part 1 presents the accounting impacts of the Quilter plc Demerger, Quilter plc Admission and the Quilter plc Share Sale detailed in note 2 to 4 below.														
Part 2 presents the accounting impacts of the Second Scheme, whereby the Company will acquire Old Mutual plc and the share schemes as detailed in notes 5 to 8 below.														
Part 3 presents the accounting impacts of the Nedbank Unbundling as detailed in notes 9 to 11 below.														
2. This column presents the financial information of the Old Mutual plc Group before any <i>pro forma</i> adjustments and has been extracted from the Historical Financial Information of the Old Mutual plc Group for the year ended 31 December 2017, as presented in Annexe 1C to this Pre-listing Statement. The continuing operations include Emerging Markets as well as certain residual business that will remain in Old Mutual plc (which will become a subsidiary of the Company pursuant to the Second Scheme) after the implementation of the Quilter plc Demerger and implementation of the OMAM disposal. The discontinued operations include, Quilter plc and OMAM for the period up to November 2017 when the last sale of Old Mutual plc’s interest in OMAM was executed and Nedbank.														
3. This adjustment represents the removal of the trading results of Quilter plc for the year ended 31 December 2017. This adjustment will have a continuing effect on the financial information of the Group.														
4. The Quilter plc Demerger will result in 86.6% of the total issued Quilter plc Shares being distributed to Old Mutual plc Shareholders, along with the Quilter plc Share Sale, which will result in a sale of 9.6% of the total issued Quilter plc Shares to new shareholders. The remaining 3.7% of the total issued share capital is held by the JSOP Trustee on behalf of certain management and staff of Quilter plc. For purposes of calculating the <i>pro forma</i> impacts of Quilter plc Demerger, the fair value has been assumed to be an amount equal to the net asset value of the business as at 31 December 2017. For purposes of calculating the <i>pro forma</i> impacts of the Quilter plc Share Sale, the sale proceeds has been assumed as 9.6% of the net asset value as at 31 December 2017. The net asset value of Quilter plc as at 31 December 2017 of R30,462 million is disclosed in Note A4. Discontinued Operations included in Annexe 1C of the Pre-Listing Statement. In the event that the Group retains some or all of the 9.6% of the total issued Quilter plc Shares, the remaining investment will be accounted for as a financial asset. To the extent that the fair value on the date of the transaction is higher or lower than this net asset value, this will result in a profit or loss on the Quilter plc Demerger and the Quilter plc Share Sale. These adjustments will not have a continuing effect on the financial information of the Group.														
5. This adjustment represents the accounting impact of the acquisition of the Old Mutual plc Group by the Company. The Company will be the new ultimate parent company of the Group, with effect from the insertion of the Company as the holding company of Old Mutual plc by way of the Second Scheme prior to the Admissions. The acquisition of the Old Mutual plc Group by the Company is not a business combination and therefore the only anticipated accounting impact is the related transaction costs. The adjustment for the transactions costs will not have a continuing effect on the financial information of the Group. This information has been extracted without material adjustment (except for the transaction costs outlined) from the Historical Statutory Financial Information of the Company for the period from 29 May 2017 to 31 January 2018 as presented in Annexe 3 to this Pre-listing Statement.														
6. The Managed Separation is expected to have certain impacts on the share scheme arrangements of the Old Mutual plc Group. Upon the Managed Separation the ordinary shares held by employees of the Old Mutual plc Group will be exchanged for the ordinary shares of Quilter plc and the Group. The distribution of the ordinary shares of Quilter plc and the execution of the Second Scheme will result in the acceleration of certain of the awards. In addition an incremental IFRS 2 charge is reflected related to a broad grant of Ordinary Shares to all permanent employees shortly following the Admissions. The award is subject to a 2 year vesting period with a continued employment condition for vesting and risk of forfeiture if the employee is an ineligible leaver. To determine the quantum of these adjustments, the Old Mutual plc share price at 31 December 2017 of 213p and an average exchange rate of R17.1493 to £1 was utilised.														
7. As part of the preparation for the Managed Separation Emerging Markets agreed to sell its business in Latin America. On or about 15 March 2018, Emerging Markets and the Lily Purchaser entered into sale and purchase agreements, pursuant to which Emerging Markets agreed, subject to certain conditions, to sell all of the shares in OMLAH (ie the operations in Colombia and Mexico) for a total cash of R3,810 million converted at the exchange rate as at 31 December 2017. The adjustment reflects the removal of the trading loss of R86,6 million which includes an impairment charge R276,2 million in respect of AIVA. It also reflects the Group’s estimated net profit on disposal of the business of R108 million converted at the exchange rate as at 31 December 2017. These adjustments will not have a continuing effect on the financial information of the Group.														
8. This represents the <i>pro forma</i> consolidated financial position of the Group after the Quilter plc Demerger, Quilter plc Admission and Second Scheme are effective.														
9. As the <i>pro forma</i> income statement presents the financial information of Old Mutual plc as if the Transactions had occurred on 1 January 2017, the reported profits of Nedbank for the 2017 financial year are removed in this column. This adjustment, together with the adjustment detailed in note 11 below, will have a continuing effect on the financial information of the Group.														
10. This adjustment represents the anticipated accounting impact of the Nedbank Unbundling. A profit is reflected as the fair value of Nedbank shares being distributed as part of the Nedbank Unbundling is greater than the net asset value thereof (which will be derecognised). In addition, the net impact of the Nedbank Unbundling has been accounted for as 2 steps, being the deemed disposal of the Company’s entire stake in Nedbank at fair value and, secondly, the deemed acquisition of the stake in Nedbank being retained by the Group subsequent to the Nedbank Unbundling. These adjustments will not have a continuing effect on the financial information of the Group except as outlined in note 11 below. For the purposes of calculating the <i>pro forma</i> adjustments the market value of Nedbank at 31 December 2017 was used and to the extent this market values is different at the date of the transaction the values reflected above will change accordingly.														
11. As the <i>pro forma</i> statement of consolidated income presents the financial results as if the Transactions had occurred on 1 January 2017, the financial results relating to a 19.9% shareholding in the issued share capital of Nedbank in its shareholder funds is equity accounted from 1 January 2017. For the purposes of calculating the <i>pro forma</i> adjustments the market value of Nedbank at 31 December 2017 was used and to the extent this market values is different at the date of the transaction the values reflected above will change accordingly.														
12. As part of the Second Scheme the existing shareholders of Old Mutual plc will receive one share in the Company for every Old Mutual plc share they own and therefore the weighted average number of Ordinary Shares remain the same before and after the execution of the Second Scheme.														

**Pro forma statement of financial position of the Group at 31 December 2017<sup>(13)</sup>**

	PART 1			PART 2				PART 3				
	Old Mutual plc before pro forma adjustments <sup>(14)</sup> Audited Rm	Quilter plc Demerger and Quilter plc Share Sale <sup>(15)</sup> Pro forma Rm	After Quilter plc Demerger and Quilter plc Admission Pro forma Rm	Admissions of the Ordinary Shares <sup>(16)</sup> Pro forma Rm	Share schemes <sup>(17)</sup> Pro forma Rm	Disposal of LatAm <sup>(18)</sup> Pro forma Rm	After Schemes, Quilter plc Demerger and Quilter plc Admission <sup>(19)</sup> and Disposal of LatAm Pro forma Rm	Nedbank: remove trading result Pro forma Rm	Nedbank Unbundling <sup>(20)</sup> Pro forma Rm	Nedbank: equity accounting <sup>(21)</sup> Pro forma Rm	Consolidation Journals Pro forma Rm	The Group after pro forma adjustments Pro forma Rm
<b>ASSETS</b>												
Goodwill and other intangible assets	6,653		6,653			(965)	5,688					5,688
Mandatory reserve deposits with central banks	94		94			–	94					94
Property, plant and equipment	8,081		8,081			(250)	7,831					7,831
Investment property	31,903		31,903			(56)	31,847					31,847
Deferred tax assets	1,084		1,084			(127)	957					957
Investments in associated undertakings and joint ventures	1,789		1,789			(21)	1,768			25,653		27,421
Deferred acquisition costs	3,086		3,086			(367)	2,719					2,719
Reinsurers' share of policyholder liabilities	4,220		4,220			–	4,220					4,220
Loans and advances	21,483		21,483			(255)	21,228					21,228
Investments and securities	722,249		722,249			(7,279)	714,970				5,491	720,461
Current tax receivable	1,064		1,064			(53)	1,011					1,011
Trade, other receivables and other assets	21,875		21,875			(233)	21,642					21,642
Derivative financial instruments	4,101		4,101			(2)	4,099				558	4,657
Cash and cash equivalents	30,761	5,749	36,510	(620)		3,322	39,212		(37)		10,955	50,130
Assets held for sale	2,188,443	(1,212,257)	976,186			–	976,186		(980,140)		4,672	718
Inter-segment – assets	–	–	–			–	–					–
<b>Total assets</b>	<b>3,046,886</b>	<b>(1,206,508)</b>	<b>1,840,378</b>	<b>(620)</b>	<b>–</b>	<b>(6,286)</b>	<b>1,833,472</b>	<b>–</b>	<b>(980,177)</b>	<b>25,653</b>	<b>21,676</b>	<b>900,624</b>
<b>LIABILITIES</b>												
Life insurance contract liabilities	159,514		159,514			(5,991)	153,523					153,523
Investment contract liabilities with discretionary participating features	193,425		193,425			–	193,425					193,425
Investment contract liabilities	288,164		288,164			–	288,164					288,164
Property and casualty liabilities	8,285		8,285			–	8,285					8,285
Third-party interests in consolidated funds	81,573		81,573			–	81,573					81,573
Borrowed funds	18,866		18,866			–	18,866				384	19,250
Provisions and accruals	2,385	(42)	2,343			(48)	2,295					2,295
Deferred revenue	1,378		1,378			–	1,378					1,378
Deferred tax liabilities	5,088		5,088			(73)	5,015					5,015
Current tax payable	1,711		1,711			(100)	1,611					1,611
Trade, other payables and other liabilities	42,355	66	42,421		(18)	(517)	41,886				3,784	45,670
Amounts owed to bank depositors	12,440		12,440			–	12,440					12,440
Derivative financial instruments	4,498		4,498			(9)	4,498				504	4,993
Liabilities held for sale	2,043,759	(1,169,027)	874,732			–	874,732		(891,736)		17,004	–
Inter-segment – liabilities	–	–	–			–	–				–	–
<b>Total liabilities</b>	<b>2,863,441</b>	<b>(1,169,003)</b>	<b>1,694,438</b>	<b>–</b>	<b>(18)</b>	<b>(6,738)</b>	<b>1,687,682</b>	<b>–</b>	<b>(891,736)</b>	<b>–</b>	<b>21,676</b>	<b>817,622</b>
<b>Net assets</b>	<b>183,445</b>	<b>(37,505)</b>	<b>145,940</b>	<b>(620)</b>	<b>18</b>	<b>452</b>	<b>145,790</b>	<b>–</b>	<b>(88,441)</b>	<b>25,653</b>	<b>–</b>	<b>83,002</b>
<b>SHAREHOLDERS' EQUITY</b>												
Equity attributable to equity holders of the parent	136,678	(37,505)	99,173	(620)	18	452	99,023		(45,394)	25,653	–	79,282
<b>Non-controlling interests</b>												
Ordinary shares	40,910	–	40,910			–	40,910		(37,190)			3,720
Preferred securities	5,857	–	5,857			–	5,857		(5,857)			–
Total non-controlling interests	46,767	–	46,767	–	–	–	46,767	–	(43,047)	–	–	3,720
<b>Total equity</b>	<b>183,445</b>	<b>(37,505)</b>	<b>145,940</b>	<b>(620)</b>	<b>18</b>	<b>452</b>	<b>145,790</b>	<b>–</b>	<b>(88,441)</b>	<b>25,653</b>	<b>–</b>	<b>83,002</b>
NAV per share (Rand) <sup>22</sup>	37.2											16.8
Net tangible asset value per share (Rand) <sup>23</sup>	35.8			–	–			–	–	–		15.7

**Notes:**

13. Part 1 presents the accounting impacts of the Quilter plc Demerger, the Quilter plc Admission and the Quilter plc Share Sale detailed in notes 14 and 15 below.
- Part 2 presents the accounting impacts of the Second Scheme, whereby the Company will acquire Old Mutual plc and the share schemes as detailed in notes 16 to 19 below.
- Part 3 presents the accounting impacts of the Nedbank Unbundling as detailed in notes 20 to 21 below.
14. This column presents the financial information of the Old Mutual plc Group before any *pro forma* adjustments and has been extracted without material adjustment from the Historical Financial Information of the Old Mutual plc Group for the year ended 31 December 2017, as presented in Annexe 1C to this Pre-listing Statement. The continuing operations include Emerging Markets as well as certain residual business that will remain in Old Mutual plc (which will become a subsidiary of the Company pursuant to the Second Scheme) after the implementation of the Quilter plc Demerger. The discontinued operations include, Quilter plc, OMAM for the period up to November 2017 when the last sale of Old Mutual plc's interest in OMAM was executed and Nedbank.
15. The Quilter plc Demerger will result in 86.6% of the total issued Quilter plc Shares being distributed to Old Mutual plc Shareholders, along with the Quilter plc Share Sale, which will result in a sale of 9.6% of the total issued Quilter plc Shares to new shareholders. The remaining 3.8% of the total issued share capital is held by the JSOP Trustee on behalf of certain management and staff of Quilter plc. For purposes of calculating the *pro forma* impacts of Quilter plc Demerger, the fair value has been assumed to be an amount equal to the net asset value of the business as at 31 December 2017. For purposes of calculating the *pro forma* impacts of the Quilter plc Share Sale, the sale proceeds has been assumed as 9.6% of the net asset value as at 31 December 2017. The net asset value of Quilter plc as at 31 December 2017 of R30,462 million is disclosed in Note A4. Discontinued Operations included in Annexe 1C of the Pre-Listing Statement. In the event that the Group retains some or all of the 9.6% of the total issued Quilter plc Shares, the remaining investment will be accounted for as a financial asset. To the extent that the fair value on the date of the transaction is higher or lower than this net asset value, this will result in a profit or loss on the Quilter plc Demerger and the Quilter plc Share Sale. Subsequent to 31 December 2017, certain transactions took place to prepare Quilter plc's statement of financial position for the Managed Separation which has an impact on the net asset value which will be derecognised at the point at which Quilter plc is distributed. Old Mutual plc completed the sale of SUKL to Quilter plc in exchange for additional equity in Quilter plc, the most material asset included in the net asset value of SUKL was an intercompany receivable from Quilter plc. As a separate transaction Quilter plc repaid an outstanding intercompany loan to Old Mutual plc. From the Group's perspective these transactions lead to an increase of R3,351 in cash and a decrease of R12,973 in net inter-company funding receivable, effectively leading to a net decrease of R 9,622 in the Group's net asset value. Net of the proceeds reflected for Quilter plc Share Sale based on the *pro forma* assumptions, the impact of the Group's net asset value as a result of these transactions are R7,044. Amounts translated using the spot exchange rate as at 31 December 2017.
16. This adjustment represents the accounting impact of the acquisition of the Old Mutual plc Group by the Company. The Company will be the new ultimate parent company of the Group, with effect from the insertion of the Company as the holding company of Old Mutual plc by way of the Second Scheme prior to the Admissions. The acquisition of the Old Mutual plc Group by the Company is not a business combination and therefore the only anticipated accounting impact is the related transaction costs. This information has been extracted without material adjustment (except for the transaction costs outlined) from the Historical Statutory Financial Information of the Company for the period from 29 May 2017 to 31 January 2018 as presented in Annexe 3 to this Pre-listing Statement.
17. The Managed Separation is expected to have certain impacts on the share scheme arrangements of the Old Mutual plc Group. Upon the Managed Separation the ordinary shares held by employees of the Old Mutual plc Group will be exchanged for the ordinary shares of Quilter plc and the Group. The distribution of the ordinary shares of Quilter plc and the execution of the Second Scheme will result in the acceleration of certain of the awards. In addition an incremental IFRS 2 charge is reflected related to a broad grant of Ordinary Shares to all permanent employees shortly following the Admissions. The award is subject to a 2 year vesting period with a continued employment condition for vesting and risk of forfeiture if the employee is an ineligible leaver. To determine the quantum of these adjustments, the Old Mutual plc share price at 31 December 2017 of 213p and an average exchange rate of R17.1493 to £1 was utilised.
18. As part of the preparation for Managed Separation Emerging Markets agreed to sell its business in Latin America. On 15 March 2018, Emerging Markets and the Lily Purchaser entered into sale and purchase agreements, pursuant to which Emerging Markets agreed, subject to certain conditions, to sell all of the shares in OMLAH (ie the operations in Colombia and Mexico) for a total cash consideration of R3,810 million converted at the exchange rate as at 31 December 2017. The adjustment reflects the receipt of this cash consideration and the removal of the net asset value (including goodwill) as at 31 December 2017.
19. This represents the impact of the Transactions (save for the Nedbank Unbundling) on the consolidated financial position of the Company as at the Admission Date.
20. This adjustment represents the anticipated accounting impact of the Nedbank Unbundling. The net impact of the Nedbank Unbundling has been accounted for as 2 steps, being the deemed disposal of Old Mutual plc's entire stake in Nedbank at fair value and, secondly, the deemed acquisition of the stake in Nedbank being retained by the Group subsequent to the Nedbank Unbundling. For the purposes of calculating the *pro forma* adjustments the market value of Nedbank at 31 December 2017 was used and to the extent this market values is different at the date of the transaction the values reflected above will change accordingly.
21. As the *pro forma* statement of consolidated financial position presents the financial position as if the Transactions had occurred on 31 December 2017, the initial recognitions of the Company's 19.9% shareholding in the issued share capital of Nedbank in its shareholder funds is equity accounted at fair value on 31 December 2017.
22. NAV per share is calculated as total assets minus total liabilities divided by the weighted average number of ordinary shares in issue at year-end. Refer to Note C1 in the Historical Financial Information of the Old Mutual plc Group for disclosure of the weighted average number of ordinary shares in issue at year-end.
23. 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.

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## INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE COMPILATION OF THE PRO FORMA FINANCIAL INFORMATION OF THE GROUP FOR JSE PURPOSES

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The Directors  
Old Mutual Limited  
Mutualpark  
Jan Smuts Drive  
Pinelands  
Cape Town  
7405

### Independent Reporting Accountant's Report on the Compilation of the *Pro forma* Financial Information of the Group for JSE Purposes

The definitions in Annexe 18 of the Pre-listing Statement to which this letter is attached apply, *mutatis mutandis*, to this report.

#### 1. Introduction

We have completed our assurance engagement to report on the compilation of the financial information of the Group by the directors. The *pro forma* information consists of the *pro forma* income statement of the Group, including *pro forma* earnings and headline earnings per share and the related notes, the *pro forma* statement of financial position of the Group, including NAV and net tangible asset value per share and the related notes. The applicable criteria on the basis of which the directors has compiled the *pro forma* financial information is detailed in paragraphs 8.15 to 8.33 of the JSE Listings Requirements and the SAICA Guide on *Pro forma* Financial Information, revised and issued in September 2014 ("Applicable Criteria") as disclosed in the basis of preparation for JSE purposes included as Annexe 5A to the Pre-listing Statement, (collectively "*Pro forma* Financial Information").

The *Pro forma* Financial Information has been compiled by the Directors to illustrate the impact of the Transactions on the Group's financial position as at 31 December 2017 and the Group's financial performance for the year ended 31 December 2017.

As part of this process, the Group's earnings, headline earnings, NAV and net tangible asset value per share, the income statement and the statement of financial position have been extracted by the Directors from the Historical Financial Information of the Old Mutual plc Group included in Annexes 1C and 1D to this Pre-listing Statement ("Audited Financial Information").

#### 2. Directors' Responsibility for the *Pro forma* Financial Information

The Directors are responsible for compiling the *Pro forma* Financial Information on the basis of the Applicable Criteria.

#### 3. Independent Reporting Accountant's independence and quality control

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

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### 4. Independent Reporting Accountant's responsibility

Our responsibility is to express an opinion about whether the *Pro forma* Financial Information of the Group has been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria, based on our procedures performed.



We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro forma* Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the *Pro forma* Financial Information of the Group on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on the Audited Financial Information used in compiling the *Pro forma* Financial Information of the Group, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro forma* Financial Information of the Group.

The purpose of the *Pro forma* Financial Information of the Group included in the Pre-listing Statement is solely to illustrate the impact of the Quilter plc Demerger, the Quilter plc Admission, the Quilter plc Share Sale, the Second Scheme, the Admissions, the disposal of the businesses in Latin America and the Nedbank Unbundling (collectively the "Transactions") on the unadjusted Audited Financial Information as if the Transactions had been undertaken on 1 January 2017 for purposes of the *pro forma* earnings, and the *pro forma* consolidated income statement and on 31 December 2017 for purposes of the *pro forma* NAV and net tangible asset value per share and the *pro forma* statement of financial position. Accordingly, we do not provide any assurance that the actual outcome of the Transactions, subsequent to its implementation, will be as presented in the *Pro forma* Financial Information of the Group.

A reasonable assurance engagement to report on whether the *Pro forma* Financial Information of the Group has been properly compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the *Pro forma* Financial Information of the Group provide a reasonable basis for presenting the significant effects directly attributable to the Transactions and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to the Applicable Criteria; and the *Pro forma* Financial Information of the Group reflects the proper application of those *pro forma* adjustments to the unadjusted Audited Financial Information; or
- the procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the Transactions in respect of which the *Pro forma* Financial Information of the Group has been compiled and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the *Pro forma* Financial Information of the Group.

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

## 5. **Opinion**

In our opinion, the *Pro forma* Financial Information of the Group has been compiled, in all material respects, on the basis of the Applicable Criteria.

## 6. **Consent**

We consent to act in the capacity as independent reporting accountant to the Group for the purposes of the listing of the Company on the Main Board of the JSE, and for no other purpose. We confirm that we have not withdrawn our consent prior to the date of publication of the Pre-listing Statement.

### **KPMG Inc.**

GM Pickering  
Director  
Registered Auditor

13 April 2018

1 Mediterranean Street  
Foreshore  
Cape Town City Centre  
Cape Town, 8001  
(PO Box 4609, Cape Town, 8000)

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## INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE *PRO FORMA* FINANCIAL INFORMATION SOLELY FOR PD REGULATION PURPOSES

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The Directors  
Old Mutual Limited  
Mutualpark  
Jan Smuts Drive  
Pinelands  
Cape Town  
7405

20 April 2018

Ladies and gentlemen

### 1. The Group

We report on the *pro forma* consolidated income statement and the *pro forma* consolidated statement of financial position relating to the Group (the "*Pro forma* Financial Information"), set out in Annexe 5C to the Pre-listing Statement, which has been prepared on the basis described in Annexe 5B, for illustrative purposes only, to provide information about how the Quilter plc Demerger, Quilter plc Admission, the Quilter plc Share Sale, the Second Scheme followed by Admissions (including the impact of the agreed disposal of the businesses in Latin America and the impact of the execution of the Second Scheme on certain share schemes) and the Nedbank Unbundling might have affected the financial information presented on the basis of the accounting policies adopted by the Group in preparing the financial statements for the period ended 31 December 2017. This report is required by paragraph 20.2 of Annex I of the PD Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

### 2. Responsibilities

It is the responsibility of the Directors to prepare the *Pro forma* Financial Information in accordance with Annex II of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the PD Regulation, as to the proper compilation of the *Pro forma* Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the *Pro forma* Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the Pre-listing Statement.

### 3. Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *Pro forma* Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the *Pro forma* Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

#### 4. **Opinion**

In our opinion:

- the *Pro forma* Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

#### 5. **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Pre-listing Statement and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Pre-listing Statement in compliance with paragraph 1.2 of Annex I of the PD Regulation.

Yours faithfully

#### **KPMG LLP**

*Chartered Accountants*

15 Canada Square  
London  
E14 5GL

20 April 2018

## ACTUARIAL/MARKET CONSISTENT EMBEDDED VALUE REPORT

### 1. Introduction

Market consistent embedded value ("MCEV") is a valuation of ordinary shareholders' interests in the long-term life insurance part of the business (called "covered business"). Emerging Markets follows the CFO Forum MCEV Principles (Copyright © Stichting CFO Forum Foundation 2008) for determining the embedded value of covered business.

MCEV represents the present value of future earnings distributable to shareholders from the covered business, where the earnings are calculated using best estimate assumptions and are adjusted for risk in a consistent manner to the valuation of financial instruments in deep and liquid markets.

MCEV provides additional insights into value creation, including the value added from new business written during the period. MCEV does not make any allowance for future new business. This would need to be incorporated in order to arrive at a complete valuation of the covered business.

MCEV consists of the following components (as provided in section 2 of this annexe):

- Adjusted Net Worth ("ANW") represents the market value of shareholder assets available to support the covered business, divided between the capital required by management to support the business ("Required capital") and the remaining assets ("Free surplus").
- Value of in-force ("VIF") represents future earnings embedded in the current in-force business ("Present value of future profits"), together with the explicit quantification of taxation and investment costs associated with holding capital into the future ("Frictional costs") and cost of capital associated with risks that cannot be hedged using financial market instruments ("Cost of residual non-hedgeable risks"), i.e. mainly related to non-financial risks.

In determining the value of future earnings, cash flows associated with the covered business are projected using best estimate demographic assumptions and economic assumptions that align to the valuation of similar cash flows associated with traded financial market instruments.

The analysis of change in MCEV provides more granular information on new business value and the effect of changes in demographic assumptions and financial market performance on the MCEV result (refer to section 3 for further information). The analysis further defines Operating MCEV earnings which excludes impacts from regulatory and tax changes, the impact of unexpected movements in financial markets and changes in economic assumptions.

Sensitivity information (as provided in section 4 of this annexe) provides insight into key risk drivers affecting MCEV and new business value.

Economic assumptions are determined with reference to quoted financial market instruments. The risk-free rate, predominantly determined using the South African government bond yield curve (refer to section 5.1 for further information), is used to discount all projected cash flows, and to project cash flows that vary directly with the value of financial market investments. Stochastic scenario modelling is used to determine the value of cash flows that have a non-linear relationship with financial market investments (including investment guarantees), with the models calibrated in such a way that they replicate the value of quoted derivative instruments where these are available.

Demographic or non-economic assumptions (e.g. in respect of mortality, disability, persistency and expenses) are determined using investigations into historic experience, with adjustments for expected future experience and industry data where deemed appropriate (refer to section 5.2 for further information).

### 2. Summary of MCEV Results and Components of MCEV for Covered Business

The following section provides a summary of the headline MCEV results and components of MCEV for the covered business. The MCEV presented in this section represents the covered business for the Emerging Markets business only, a reconciliation of the Emerging Markets IFRS equity as presented in the Historical Financial Information presented in section 3.8 *"Reconciliation of IFRS NAV to MCEV for covered business"*.

All MCEV results are post tax and non-controlling interests, unless stated otherwise. The results provided are consistent with prior MCEV disclosures of the covered business in Emerging Markets.

The following table sets out the components of MCEV for covered business over the last 3 years.

	Year ended 31 December		
	2017	2016	2015
	(R million)		
<b>ANW</b>	<b>30,280</b>	<b>27,225</b>	<b>25,063</b>
Free surplus	7,217	6,173	5,953
Required capital	23,063	21,052	19,110
<b>VIF</b>	<b>34,193</b>	<b>31,920</b>	<b>31,248</b>
Present value of future profits	40,504	37,911	37,359
Frictional costs	(3,900)	(3,672)	(3,619)
Cost of residual non-hedgeable risks	(2,411)	(2,319)	(2,492)
<b>MCEV</b>	<b>64,473</b>	<b>59,145</b>	<b>56,311</b>

### 3. Analysis of Change in MCEV

The following tables show the analysis of change in MCEV for the covered business over the last 3 years. The change in MCEV over a given reporting period is analysed using the following components:

- New business value measures the increase in MCEV associated with new business over the period after allowing for all acquisition costs associated with the business written.
- Expected existing business contribution measures the impact of projecting forward MCEV from the start of the reporting period using expected real-world rates of return with allowance for market risk premiums in addition to the risk-free rate of return.
- Experience variances measure the impact of expenses and demographic experience over the period compared to the best estimate assumptions used to determine the opening MCEV position.
- Assumption, methodology and other changes measures the effect of changes in future best estimate assumptions on the MCEV position, including other changes to the way in which future earnings are modelled and the impacts of any management actions taken over the period.
- Investment variances and economic assumption changes measure the impact of investment returns and changes in economic assumptions on the MCEV position in addition to that already anticipated in the expected existing business contribution.
- Regulatory and tax changes measure the impact of changes in the regulatory environment and taxation regime have on the value of future earnings contributing to the MCEV position.

Return on MCEV is calculated as the operating MCEV earnings after tax divided by opening MCEV.

		Year ended 31 December		
	Note	2017	2016	2015
		(R million)		
<b>Opening MCEV</b>		<b>59,145</b>	<b>56,311</b>	<b>55,944</b>
New business value	3.1	2,256	2,173	2,394
Expected existing business contribution		5,696	5,561	4,494
Experience and development cost variances	3.3	(127)	182	(85)
Assumption, methodology and other changes	3.5	308	461	726
<b>Operating MCEV earnings</b>	<b>3.8</b>	<b>8,133</b>	<b>8,377</b>	<b>7,529</b>
Investment variances on in-force business	3.4	955	(455)	282
Investment variances on adjusted net worth	3.4	1,035	(962)	(675)
Economic assumption changes	3.4	649	500	198
Regulatory and tax changes		44	(325)	(3)
<b>Total MCEV earnings</b>		<b>10,816</b>	<b>7,135</b>	<b>7,331</b>
<b>Closing adjustments</b>		<b>(5,488)</b>	<b>(4,301)</b>	<b>(6,964)</b>
Capital and dividend flows		(4,706)	(3,614)	(4,722)
Foreign exchange variance		(782)	(875)	1,004
Other <sup>(1)</sup>		–	188	(3,246)
<b>Closing MCEV</b>		<b>64,473</b>	<b>59,145</b>	<b>56,311</b>
<b>Return on MCEV per annum</b>		<b>13.8%</b>	<b>14.9%</b>	<b>13.5%</b>

Note:

1. Other closing adjustments in 2015 include the repayment of the subordinated debt issued in 2005 of R3.0 billion, the liability of which was included at an Old Mutual plc level.

The following sections provide additional detail on the drivers of new business value and new business information by geography.

### 3.1 New Business Value ("VNB") and new business profitability

The tables below provide information on the value of new business and new business profitability metrics by geography.

New business value is calculated (net of tax and non-controlling interests) at point-of-sale after deducting acquisition expenses (including over-runs), and is primarily based on economic assumptions applicable at the start of the reporting period, but reflecting all other assumptions and modelling changes made during the reporting period. Economic and operating experience variances are shown separately in the analysis of earnings rather than being attributed to the new business value.

The present value of new business premiums ("PVNBP") is also calculated at point-of-sale and is defined as single premiums received in the period and the present value of recurring premiums as incorporated into the projection of cash flows used to determine the new business value. The VNB margin (VNB divided by PVNBP) is a measure of the profitability of new business written during the period.

Year ended 31 December						
2017						
	Annualised recurring premiums	Single premiums	PVNBP	PVNBP capitalisation <sup>(2)</sup>	VNB	VNB margin
	(R million)					
South Africa	6,291	31,507	59,083	4.4	2,013	3.4%
Rest of Africa	1,109	2,375	6,214	3.5	267	4.3%
LatAm and Asia <sup>(3)</sup>	408	1,621	2,958	3.3	(24)	(0.8%)
<b>Covered business<sup>(1)</sup></b>	<b>7,808</b>	<b>35,503</b>	<b>68,255</b>	<b>4.2</b>	<b>2,256</b>	<b>3.3%</b>

**Notes:**

1. The new business figures presented below exclude premium increases on covered business arising from indexation arrangements in respect of existing business, as these are already included in the value of in-force business.
2. The PVNBP capitalisation factors are calculated as follows: (PVNBP – single premiums)/annualised recurring premiums.
3. LatAm and Asia includes Mexico and Colombia only.

Year ended 31 December						
2016						
	Annualised recurring premiums	Single premiums	PVNBP	PVNBP capitalisation <sup>(2)</sup>	VNB	VNB margin
	(R million)					
South Africa	6,251	34,314	60,613	4.2	2,006	3.3%
Rest of Africa	895	2,002	5,504	3.9	210	3.8%
LatAm and Asia <sup>(3)</sup>	438	1,490	2,731	2.8	(43)	(1.6%)
<b>Covered business<sup>(1)</sup></b>	<b>7,584</b>	<b>37,806</b>	<b>68,848</b>	<b>4.1</b>	<b>2,173</b>	<b>3.2%</b>

**Notes:**

1. The new business figures presented below exclude premium increases on covered business arising from indexation arrangements in respect of existing business, as these are already included in the value of in-force business.
2. The PVNBP capitalisation factors are calculated as follows: (PVNBP – single premiums)/annualised recurring premiums.
3. LatAm and Asia includes Mexico and Colombia only.

Year ended 31 December

2015						
	(R million)					
	Annualised recurring premiums	Single premiums	PVNB	PVNB capitalisation <sup>(2)</sup>	VNB	VNB margin
South Africa	5,709	35,268	64,417	5.1	2,190	3.4%
Rest of Africa	880	2,088	6,011	4.5	257	4.3%
LatAm and Asia <sup>(3)</sup>	280	983	1,510	1.9	(53)	(3.5%)
<b>Covered business<sup>(1)</sup></b>	<b>6,869</b>	<b>38,339</b>	<b>71,938</b>	<b>4.9</b>	<b>2,394</b>	<b>3.3%</b>

**Notes:**

1. The new business figures presented below exclude premium increases on covered business arising from indexation arrangements in respect of existing business, as these are already included in the value of in-force business.
2. The PVNB capitalisation factors are calculated as follows: (PVNB – single premiums)/annualised recurring premiums.
3. LatAm and Asia includes Mexico only.

### 3.2 Drivers of new business profitability (VNB margin)

The change in the VNB margin for the 2015, 2016 and 2017 financial years is analysed according to the following components:

Year ended 31 December			
	2017	2016	2015
		(%)	
<b>Margin at the end of comparative reporting period</b>	<b>3.2</b>	<b>3.3</b>	<b>3.4</b>
Change in volume and new business expenses <sup>(1)</sup>	(0.2)	0.1	(0.1)
Change in country and product mix <sup>(2)</sup>	0.2	(0.1)	(0.5)
Change in operating assumptions <sup>(3)</sup>	–	(0.1)	0.5
Change in economic assumptions <sup>(4)</sup>	0.1	–	–
Change in tax/regulation <sup>(5)</sup>	–	–	–
<b>Margin at the end of the reporting period</b>	<b>3.3</b>	<b>3.2</b>	<b>3.3</b>

**Notes:**

1. Measures the impact of changes in the total volume of contracts written compared to the previous reporting period, and the changes in acquisition costs associated with writing that business, whilst assuming that the mix of products sold remains constant.
2. Measures the impact that a different mix of products sold has had on the aggregate VNB margin, with differing margins across product lines and geographies contributing to the overall margin change.
3. Measures the impact that changes in demographic assumptions, modelling changes and management actions in the current period have had on the VNB margin. This includes operating assumption changes, methodology changes and management actions.
4. Measures the impact of moving to the current reporting period economic assumptions used to determine new business value and VNB.
5. Measures the impact of changes in the regulatory environment and taxation regime have on the components of the VNB margin.

Over the period, new business margins have remained stable. This should be viewed in the context of the current tough economic conditions placing pressure on disposable incomes.

### 3.3 Experience and development cost variances

Experience variances are further analysed according to the following components:

Year ended 31 December									
	2017			2016			2015		
	(R million)								
	ANW	VIF	MCEV	ANW	VIF	MCEV	ANW	VIF	MCEV
Persistency <sup>(1)</sup>	156	(501)	(345)	110	(479)	(369)	186	(127)	59
Risk <sup>(2)</sup>	95	83	178	84	113	197	564	(92)	472
Expenses <sup>(3)</sup>	252	111	363	346	6	352	(133)	(63)	(196)
Development costs <sup>(4)</sup>	(273)	–	(273)	(270)	–	(270)	(492)	–	(492)
Other <sup>(5)</sup>	119	(169)	(50)	144	128	272	(51)	123	72
Experience and development cost variances	349	(476)	(127)	414	(232)	182	74	(159)	(85)

**Notes:**

1. Persistency experience considers the impact of differences between actual policy surrender and lapse experience compared to assumptions made at the start of the period.
2. Risk experience considers the impact of differences between actual mortality, longevity and disability experience compared to assumptions made at the start of the period.
3. Expense variances consider the impact of differences between actual and assumed maintenance expenses at the start of the period.
4. Development cost variances relate to the impact of differences between actual and assumed development project expenditure.
5. Other experience relates to all other items not categorised above, including experience variances from differences between actual and assumed taxation as well as costs incurred by life insurance entities that do not relate to covered business.

### 3.4 Economic variances

Economic variances are further analysed according to the following components:

Year ended 31 December									
2017				2016			2015		
	ANW	VIF	MCEV	(R million)			ANW	VIF	MCEV
	ANW	VIF	MCEV	ANW	VIF	MCEV	ANW	VIF	MCEV
Investment variance on in-force business <sup>(1)</sup>	559	396	955	528	(983)	(455)	609	(327)	282
Investment variance on adjusted net worth <sup>(2)</sup>	1,035	–	1,035	(962)	–	(962)	(675)	–	(675)
Impact of economic assumption changes <sup>(3)</sup>	177	472	649	57	443	500	13	185	198
Economic variances	1,771	868	2,639	(377)	(540)	(917)	(54)	(142)	(195)

**Notes:**

1. Relates to increases (decreases) in MCEV as a result of higher (lower) than expected returns on policyholder funds, increasing the value of future asset-related fees, as well as higher (lower) than expected returns on assets backing non-linked (e.g. in-payment annuity) products. Group practice is to allow credit spread earned on the annuity products to emerge in the investment variance; however, this is sometimes offset by other market movements on other products.
2. Relates to differences between actual and expected performance on shareholder fund investments.
3. Reflects the impact of changes to risk-free curves on the MCEV position as well as assumptions used to calibrate stochastic models for the valuation of investment guarantees.



### 3.5 Assumption and methodology changes

Assumptions and methodology changes reflect changes to long term non-economic assumptions made in light of emerging experience and categorised in a consistent manner as experience variances set out above.

Year ended 31 December									
	2017			2016			2015		
	(R million)								
	ANW	VIF	MCEV	ANW	VIF	MCEV	ANW	VIF	MCEV
Persistency	(2)	(270)	(272)	(342)	(55)	(397)	–	8	8
Risk	339	(5)	334	210	(18)	192	270	52	322
Expenses	464	(138)	326	71	(712)	(641)	288	(762)	(474)
Methodology and other changes <sup>(1)</sup>	(368)	288	(80)	1,002	305	1,307	(3,627)	4,497	870
Assumption and methodology changes	433	(125)	308	941	(480)	461	(3,069)	3,795	726

**Note:**

1. Included within methodology and other changes are changes made to modelling methodology over time as a result of improvements to the underlying modelling systems or reflecting emerging best practice.

### 3.6 Operating MCEV earnings by territory

The table below shows the composition of the MCEV operating earnings by territory.

Year ended 31 December			
	2017	2016	2015
South Africa	7,335	7,549	6,572
Rest of Africa	909	799	1,065
LatAm and Asia	(111)	29	(108)
<b>MCEV Operating Earnings</b>	<b>8,133</b>	<b>8,377</b>	<b>7,529</b>

### 3.7 Reconciliation of IFRS NAV to MCEV for covered business

The table below provides a reconciliation of the equity attributable to equity holders of the parent per the consolidated statement of financial position to the MCEV. This includes the following components:

Year ended 31 December			
	2017	2016	2015
(R million)			
<b>Equity attributable to the equity holders of the parent<sup>(1)</sup></b>	<b>46,393</b>	<b>42,115</b>	<b>41,619</b>
Less equity attributable to non-covered business <sup>(2)</sup>	(18,620)	(17,505)	(18,763)
<b>Equity attributable to the equity holders of the parent for Covered Business</b>	<b>27,773</b>	<b>24,610</b>	<b>22,856</b>
Adjustment to include long-term business on a statutory basis <sup>(3)</sup>	(1,153)	(1,057)	(941)
Inclusion of Group equity and debt instruments held in life funds <sup>(4)</sup>	4,517	4,370	3,799
Goodwill	–	(134)	(156)
Other <sup>(5)</sup>	(857)	(564)	(495)
<b>Adjusted net worth attributable to ordinary equity holders of the parent</b>	<b>30,280</b>	<b>27,225</b>	<b>25,063</b>
<b>Value of in-force business</b>	<b>34,193</b>	<b>31,920</b>	<b>31,248</b>
<b>MCEV</b>	<b>64,473</b>	<b>59,145</b>	<b>56,311</b>

**Notes:**

1. Per the Emerging Markets column disclosed in note B4 of the Report of Historical Financial Information line included in Annexe 1C to this Pre-listing Statement.
2. Represents equity attributable to equity holders of the parent in respect of non-covered business. In 2015 and 2016 Old Mutual International (Guernsey) Ltd ("OMIG") and the OMLACSA international branches are included in non-covered business. In 2017 these were brought into the covered business.
3. Mainly reflects the removal of deferred acquisition costs and deferred tax balances.
4. This adjustment adds back the value of Old Mutual plc instruments held in policyholder investments that are deducted for IFRS reporting purposes.
5. Includes further reductions for minority interests in Rest of Africa not allowed for in the statement of financial position.

### 3.8 Reconciliation of operating MCEV earnings to Adjusted Headline Earnings

The table below reconciles Adjusted Headline Earnings to IFRS AOP Post-tax & Non-controlling Interests ("NCI") to Operating MCEV Earnings

	Year ended 31 December		
	2017	2016	2015
	(R million)		
Adjusted Headline Earnings <sup>(1)</sup>	13,409	10,765	9,814
Less: Adjusted Headline Earnings related to other business <sup>(2)</sup>	(4,889)	(4,276)	(4,143)
<b>Adjusted Headline Earnings</b>	<b>8,520</b>	<b>6,489</b>	<b>5,671</b>
Less shareholder investment return in excess of LTIR	(1,918)	536	921
Other adjustments	(34)	(17)	(31)
Tax adjustments	216	(129)	(413)
<b>OMEM Life and Savings AOP post-tax &amp; NCI<sup>(3)</sup></b>	<b>6,784</b>	<b>6,879</b>	<b>6,148</b>
Less AOP Life and Savings post-tax & NCI of non-covered business	(186)	(206)	(257)
<b>OMEM AOP post-tax &amp; NCI for covered business</b>	<b>6,598</b>	<b>6,673</b>	<b>5,891</b>
Alignment of Statutory basis to IFRS basis (ANW impact)	–	–	(3,647)
OMUT Life profits included in asset management	–	–	111
Other Adjustments	(66)	9	(451)
<b>Adjusted Net Worth operating earnings</b>	<b>6,532</b>	<b>6,682</b>	<b>1,904</b>
Alignment of Statutory basis to IFRS basis (Impact on Value of in-force)	–	–	4,271
Other Value of in-force operating earnings	1,601	1,695	1,354
<b>Covered business MCEV operating earnings</b>	<b>8,133</b>	<b>8,377</b>	<b>7,529</b>

**Notes:**

1. Adjusted Headline Earnings for the Group per Part X – Selected Financial Information.
2. Represents Adjusted Headline Earnings related to the Asset Management, Banking and Lending and Property and Casualty businesses.
3. From 30 June 2017 long-term investment returns on assets in excess of capital requirements were included within OMEM AOP. Comparatives have been restated (31 December 2015: R317 million, 31 December 2016: R303 million).

#### 4. MCEV Sensitivity Information

The table below shows the sensitivity of the MCEV, the value of in-force business and the value of the new business for the year ended 31 December 2017 to changes in key assumptions.

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.

	2017		
	(R million)		
	MCEV	VIF	VNB
<b>Central assumptions</b>	<b>64,473</b>	34,193	2,256
Value given changes in:			
Economic assumptions 100bps increase <sup>(1)</sup>	64,238	33,948	2,120
Economic assumptions 100bps decrease <sup>(1)</sup>	64,541	34,272	2,392
Equity/property market value 10% increase <sup>(2)</sup>	66,574	35,758	2,256
Equity/property market value 10% decrease <sup>(2)</sup>	62,350	32,605	2,256
10bps increase of liquidity spreads <sup>(3)</sup>	64,644	34,364	2,269
50bps contraction on corporate bond spreads <sup>(4)</sup>	64,956	34,193	2,259
25% increase in equity/property implied volatilities <sup>(5)</sup>	63,299	33,018	2,256
25% increase in swaption implied volatilities <sup>(5)</sup>	64,452	34,172	2,256
10% decrease in discontinuance rates <sup>(6)</sup>	66,103	35,823	2,805
10% decrease in maintenance expenses <sup>(6)</sup>	66,459	36,178	2,419
5% decrease in mortality/morbidity rates <sup>(7)</sup>	66,483	36,203	2,457
5% decrease in annuitant mortality assumption <sup>(8)</sup>	64,329	34,049	2,245
10% increase in acquisition expenses <sup>(9)</sup>	–	–	2,126
Closing economic assumptions <sup>(10)</sup>	–	–	2,245
Minimum capital requirement <sup>(11)</sup>	65,442	35,162	2,319
NHR capital diversification <sup>(12)</sup>	64,729	34,449	2,276

**Notes:**

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 pre-tax investment and economic assumptions unchanged.
3. 10bps increase of 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 and swaption implied volatilities: 25% multiplicative increase in implied volatilities.
6. 10% decrease in discontinuance rates/10% decrease in maintenance expenses: Maintenance expense levels decreasing by 10%, with no corresponding decrease in policy charges.
7. 5% decrease in mortality/morbidity rates: Mortality and morbidity assumptions for assurances decreasing by 5%, with no corresponding decrease in policy charges.
8. 5% decrease in annuitant mortality assumption: Mortality assumption for annuities decreasing by 5%, with no corresponding increase in policy charges.
9. VNB 10% increase in acquisition expenses: For value of new business, acquisition expenses other than commission and commission-related expenses increasing by 10%, with no corresponding increase in policy charges.
10. VNB on closing economic assumptions: Value of new business calculated on economic assumptions at the end of the reporting period. This facilitates the comparison of VNB with peers which calculate VNB on closing economic assumptions.
11. Minimum capital requirement: Required capital equal to the minimum statutory requirement.
12. Non-hedgeable risk ("NHR") capital diversification: Residual NHR capital reduced to incorporate diversification benefits between hedgeable and NHR for covered business.

**5. MCEV Assumptions**

The following section provides details of the economic and non-economic assumptions used in the MCEV calculations. The assumptions have been derived in a consistent manner unless explicitly stated as a change in this disclosure note.

**5.1 Economic assumptions**

Economic assumptions for South Africa are set out in the following sections. In other territories, economic assumptions are determined with reference to local economic conditions.

*Risk free reference rates and inflation*

The risk free reference rates, reinvestment rates and discount rates are determined as set out in the basis of preparation. The swap yield curve is sourced internally (using market data provided by the Bond Exchange of South Africa) and is checked for reasonability relative to the Bloomberg swap yield curve, whereas the government bond curve is published by the FSB in South Africa and validated internally.

A liquidity premium adjustment has been applied to OMLACSA's Immediate Annuity business. For this business, the adjusted risk free reference rates were derived at 31 December 2017 by adding 50bps of liquidity premium for Old Mutual Corporate and 75bps of liquidity premium for Personal Finance (2016: 70bps; 2015: 60bps) to the reference rates used for setting investment return and discounting assumptions. The liquidity premium for the 2016 and 2015 financial years represent both Old Mutual Corporate and Personal Finance.

The risk free reference spot yields (excluding any applicable liquidity adjustments) at various terms are provided in the table below. Expense inflation rates have been derived by comparing real rates of return against nominal risk free rates, with adjustments for higher anticipated inflation rates where appropriate.

**South African risk free reference spot yields (excluding liquidity adjustments) and expense inflation**

	<b>Risk free rate</b>	<b>Expense inflation</b>
<b>At 31 December 2017 (bond curve)</b>	(%)	(%)
1 year	7.3	5.6
5 years	8.1	6.0
10 years	9.3	7.0
20 years	10.5	8.1
<b>At 31 December 2016 (bond curve)</b>		
1 year	8.0	6.7
5 years	8.6	6.7
10 years	9.3	7.4
20 years	10.2	8.3
<b>At 31 December 2015 (bond curve)</b>		
1 year	8.2	6.6
5 years	9.7	8.0
10 years	10.1	8.5
20 years	10.8	9.0

*Expected asset returns in excess of the risk free reference rates*

Real world economic assumptions are determined with reference to one-year forward risk free reference rates applicable to the currency of the liabilities at the start of the reporting period. All other economic assumptions, for example future bonus rates, are set at levels consistent with the real world investment return assumptions.

Pre-tax real world economic assumptions are determined as follows:

- The equity risk premium is 3.7%.
- The cash return equals the one year risk free reference rate.
- The bond return equals the one year risk free reference rate (plus the liquidity premium for applicable product portfolios).
- The property risk premium is 1.5%.

*Effective tax rates*

The weighted average effective tax rate that applies to the cash flow projections in OMLACSA at 31 December 2017 is 29% (2016: 29%; 2015: 29%).

**5.2 Non-economic assumptions**

The management expenses attributable to life assurance business have been analysed between expenses relating to the acquisition of new business, maintenance of in-force business (including investment management expenses) and development projects.

All expected maintenance expense overruns affecting the covered business are allowed for in the calculations at the time identified.

The MCEV makes provision for future development costs and one-off expenses relating to in-force covered businesses that are known with sufficient certainty, based on 3-year business plans. The provision is reduced to the extent that projects have associated benefits that are directly quantifiable and are considered to emerge within a reasonable timeframe (e.g. over the business plan period).

Notional unallocated holding company expenses have been included to the extent that they are allocated to the covered business. The amount of these expenses attributable to the covered business at 31 December 2017 are R155 million (2016: R194 million; 2015: R173 million). The allocation of these expenses is based on the proportion that the management expenses incurred by the covered businesses bears to the management expenses incurred by all business in the Group.

## 6. MCEV Methodology

The following section provides information on the methodology used to calculate MCEV results. The methodology used to calculate MCEV at 31 December 2017 is consistent with 31 December 2016 and 31 December 2015 unless explicitly noted in this disclosure.

### 6.1 Basis of preparation and coverage

#### *Assurance*

This Annexe 7 provides a summary of information from Emerging Market's MCEV disclosures in the relevant published financials and has been verified back to those published MCEV disclosures. It has not been audited or reviewed by KPMG Inc. or KPMG LLP.

#### *Compliance with CFO Forum MCEV Principles*

The MCEV Principles (Copyright © Stichting CFO Forum Foundation 2008) issued in June 2008 and updated in May 2016 by the CFO Forum (the Principles or MCEV Principles) have been used as the basis for preparing the MCEV disclosure information for the covered business.

The Group has not changed its MCEV methodology in light of the May 2016 updates to the CFO Forum MCEV Principles, which allows (but does not require) the alignment of MCEV and SAM methodologies and assumptions.

Apart from Principle 14 and the methodology disclosure requirements, the Principles have been materially complied with in the preparation of MCEV information. Principle 14 requires the use of a swap curve as the reference curve, however a government bond curve has been used predominantly as the reference curve in South Africa for consistency with the new regulatory solvency reporting regime (SAM) which is expected to confirm the standard use of a government bond curve as the risk free rate. Where the liabilities are hedged with swaps, the risk free rate will remain as swaps, which is allowed under SAM requirements with prior regulatory approval, however this is only a small percentage of covered business. The reference curve and resulting MCEV is still considered to be market consistent as it is derived directly from market indicators. Namibia uses the same reference curve as South Africa.

The covered business within certain African entities (Kenya, Malawi, Swaziland, Nigeria, Ghana and Botswana) has been included in MCEV at their respective ANW values only. No VIF for these entities have been recognised. However, the VNB for these entities have been calculated allowing for VIF.

#### *Scope of covered business*

Covered business includes, where material, any contracts that are regarded by local insurance supervisors as long-term life insurance business, and other business, where material, directly related to such long-term life assurance business where the profits are included in the IFRS long-term business profits in the primary financial statements. For the life insurance businesses in entities where the covered business is not material, the treatment within this supplementary information is the same as in the primary IFRS financial statements (ie expected future profits for this business are not capitalised for MCEV reporting purposes).

Some types of business are legally written by a life insurance company but are classified as asset management under IFRS because 'long-term insurance business' only serves as a wrapper. This business is excluded from covered business, for example some individual unit trusts and some market-linked business written by asset management companies in South Africa through the life insurance company, as profits from this business arise in the asset management and asset administration companies.

The MCEV is presented after an adjustment to include the market value of life fund investments in Group equity and debt instruments.

Note that the life insurance business in Colombia has been included in MCEV covered business for the first time in 2016.

### 6.2 Methodology

This section describes specific modelling considerations and choices made in the determination of MCEV for the covered business as opposed to the requirements of the Principles.

#### *Adjusted net worth*

The ANW is the market value of shareholders' assets held in respect of the covered business after allowance for the liabilities which are determined by local regulatory reserving requirements. The liability to repay and finance the subordinated debt allocated to the covered business has been allowed for in the ANW.

#### *Required capital*

Required capital is determined with reference to internal management objectives.

#### *Free surplus*

The market value of OMLACSA's investment in Nedbank is excluded from the ANW as this investment is shown separately on consolidation. In practice the required capital in respect of OMLACSA's covered business is partially covered by this investment in Nedbank. If this investment were to be included in the ANW, the reported free surplus would increase by R1.9 billion at 31 December 2017.

#### *Present value of future profits*

The present value of future profits is calculated as the discounted value of future distributable earnings (taking account of local statutory reserving requirements) that are expected to emerge from the in-force covered business.

### **6.3 Financial options and guarantees**

The time value of financial options and guarantees describes that part of the value of financial options and guarantees that arises from the variability of future investment returns on assets to the extent that it is not already included in the local statutory reserves. The full market consistent value of financial options and guarantees is already reflected in the local statutory reserves, so no additional allowance is required.

#### *Cost of residual non-hedgeable risks (CNHR)*

CNHR is calculated using a cost of capital approach, ie it is determined as the present value of capital charges for all future non-hedgeable risk capital requirements. A cost of capital charge of 2.0% has been applied to non-hedgeable capital over the life of the contracts.

#### *Frictional costs*

From the shareholders' perspective there is a cost due to restrictions on the distribution of required capital that is locked in entities within the Group. An allowance has been made for the frictional costs in respect of the taxation on investment return and investment costs on the assets backing the required capital for covered business, where material.

#### *Taxation*

The value of deferred tax assets is partly recognised in the MCEV. Typically those tax assets are expected to be utilised in future by being offset against expected tax liabilities that are generated on expected profits emerging from in-force business.

#### *New business and renewals*

The key principles applied in calculating VNB are noted below:

- Economic assumptions at the start of the reporting period are used, except for OMLACSA's Non-Profit Annuity products where point of sale assumptions are used that are consistent with the pricing basis.
- Demographic and operating assumptions at the end of the reporting period are used.
- VNB is calculated at point of sale and rolled forward to the end of the reporting period.
- Generally a stand-alone approach is used unless a marginal approach would better reflect the additional value to shareholders created through the activity of writing new business.
- Expense allowances include all acquisition expenses, including any acquisition expense overruns. Strategic business development expenses are excluded.
- VNB is calculated net of tax, reinsurance and non-controlling interests.
- Economic and operating variances are not attributed to VNB.

PVNB is calculated at point of sale using premiums before reinsurance and applying a valuation approach that is consistent with the calculation of VNB.

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**EMERGING MARKETS UNAUDITED FINANCIAL DISCLOSURE SUPPLEMENT**

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This Annexe 8 contains the Emerging Markets unaudited disclosure supplement for the year ended 31 December 2017 ("Financial Disclosure Supplement"), and has been extracted without adjustment from the Old Mutual plc unaudited disclosure supplement for the year ended 31 December 2017 that was issued by Old Mutual plc on 15 March 2018. The Financial Disclosure Supplement was prepared and issued by Old Mutual plc in the ordinary course and is included in this Pre-listing Statement for completeness. For further information on the key performance indicators that will be used by the Group to provide greater insight into the financial performance, financial position and cash flows of the Group and the way it is managed please see "Part IX – Important Financial and Other Information" and "Part X – Selected Financial Information" of this Pre-Listing Statement.

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## Old Mutual Emerging Markets

### 1. Overview

Old Mutual Emerging Markets 1.1 <i>Key financial indicators (Rm)</i>	2017		Change (FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
AOP (pre-tax and NCI) <sup>1/2</sup>	6,025	<b>13,326</b>	595	5%	5,952	12,731
AOP (post-tax and NCI) <sup>1/2</sup>	4,144	<b>9,199</b>	165	2%	4,132	9,034
Adjusted Return on Equity (%) <sup>2</sup>	19.0%	<b>20.6%</b>		(1.0%)	19.8%	21.6%
Average shareholders' equity (Rbn) <sup>2</sup>	43,675	<b>44,580</b>	2,756	7%	41,679	41,824
Adjusted Net Asset Value (Rbn) <sup>2</sup>	79.6	<b>82.8</b>	6.4	8%	76.3	76.4
Free surplus generated <sup>3</sup>		<b>6,833</b>	1,799	36%		5,034
% of AOP converted to free surplus		<b>74%</b>		18%		56%
OMLAC(SA) SAM solvency ratio (%) <sup>4</sup>		<b>243%</b>	–	–		n/a

- From HY 2017 LTIR on assets in excess of regulatory required capital is now reported within OMEM, previously reported within Old Mutual plc. Comparatives have been restated.
- Effective 1 January 2017, management of Old Mutual Life Assurance Company (South Africa) Limited offshore branches and Old Mutual International-Guernsey, previously reported in the Old Mutual Wealth UK, have been transferred to Old Mutual Emerging Markets. Asset and liability comparative information has been restated. The operating results of these segments have not been restated as the income statement impact is considered not material.
- Free surplus generated now reflects changes in the capital requirements of non-insurance businesses as well as fungibility considerations. Comparatives have therefore been restated.
- Pro-forma at 31 December 2017. The Standard Formula allows for, subject to regulatory approval, certain methodology elections to be made. The estimated SAM solvency positions are presented on the basis of the Group's preferred methodology which will, once the SAM framework is implemented, be formally presented for Regulatory approval. This is based on our current shareholding in Nedbank. OMLAC(SA)'s solvency ratio is currently calculated on the South African statutory valuation method. On this basis, the solvency cover was 3.0 times (2016: 3.2 times).

Old Mutual Emerging Markets 1.2 <i>Supplementary financial indicators (Rm)</i>	2017		Change (FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
Gross flows <sup>1</sup>	103,617	<b>214,387</b>	1,417	1%	103,715	212,970
Life APE sales <sup>2</sup>	6,126	<b>13,089</b>	(437)	(3%)	6,841	13,526
NCCF (Rbn) <sup>1/3</sup>	7.3	<b>14.5</b>	(2.5)	(15%)	8.0	17.0
FuM (Rbn) <sup>4</sup>	1,172.0	<b>1,199.9</b>	113.8	10%	1,107.1	1,086.1
VNB <sup>5</sup>	998	<b>2,256</b>	83	4%	1,162	2,173
VNB margin % <sup>6</sup>	3.2%	<b>3.3%</b>		0.1%	3.3%	3.2%
<b>Banking &amp; Lending<sup>7</sup></b>						
Loans and advances	22,139	<b>23,311</b>	(2,537)	(10%)	25,145	25,848
Net lending margin (%) <sup>8</sup>	12.5%	<b>13.8%</b>		(0.2%)	15.5%	14.0%
<b>Property &amp; Casualty</b>						
Gross written premiums	8,017	<b>16,135</b>	(38)	(0%)	8,218	16,173
Underwriting margin (%)	0.7%	<b>2.5%</b>		1.0%	(1.0%)	1.5%

- Gross flows represent all cash inflows for the period and therefore will include current period recurring premium flows on policies sold in prior periods. Flows of Corporate products through the retail platform are included in Personal Finance, Old Mutual Wealth and Corporate sales with a central elimination on consolidation to remove duplication (FY 2017: R10,257m, FY 2016: R11,888m). Gross flows includes intra-Group eliminations, which is made up of Old Mutual International (OMI) sales in Old Mutual Wealth in 2016 (FY 2016: R6,101 m) and Old Mutual International and Old Mutual Global Investors sales (from Q4 2016) in AIVA (FY 2017: 20,877m, FY 2016: R10,458m) which are eliminated on consolidation as reported in Old Mutual Wealth UK. From 2017 OMI is reported in OMEM's results and not OM Wealth UK, therefore no longer eliminated. Going forward, the intra-group eliminations related to gross and net flows previously recognised by other Old Mutual plc Group entities will no longer be eliminated in the result of the OMI Group. The perimeter change is reflected in the Pre-Listing Statement.
- Sales of Corporate products through the retail platform are included in Personal Finance, Old Mutual Wealth and Corporate sales with a central elimination on consolidation to remove duplication (FY 2017: R559m, FY 2016: R568m).
- Sales of Corporate products through the retail platform are included in Personal Finance, Old Mutual Wealth and Corporate sales with a central elimination on consolidation to remove duplication (FY 2017: R5.6bn, FY 2016: R9.2bn). Sales includes intra-Group eliminations (FY 2017: 17.2bn, FY 2016: R9.2bn), which is made up of Old Mutual International (OMI) sales in Old Mutual Wealth in 2016 and Old Mutual International and Old Mutual Global Investors sales (from Q4 2016) in AIVA which are eliminated on consolidation as reported in Old Mutual Wealth UK.

4. Previously reported as FUM (start manager). This metric has been renamed as FUM to align with the future naming convention by Old Mutual Limited. FUM is net of Intra-Group eliminations (HY 2017: R31m; FY 2017: R45m; HY 2016: R52m and FY 2016: R57m). Going forward, the intra-group eliminations related to FUM previously recognised by other Old Mutual plc Group entities will no longer be eliminated in the result of the OML Group. The perimeter change is reflected in the Pre-Listing Statement.
5. No VNB is calculated in respect of the APE sales in India and China.
6. Previously reported as PVNBP margin. This metric has been renamed as VNB margin to align with the future naming convention by Old Mutual Limited. There has been no change in the calculation or restatement of the margin as a result of this change in name.
7. From HY 2017, Banking and Lending includes Old Mutual Finance Namibia. Comparatives have not been restated.
8. Net interest margin plus loan fees plus net credit life margin as % of average loans.

Old Mutual Emerging Markets 1.3 <i>Supplementary income statement</i> (Rm)	2017		Change (FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
Mass & Foundation Cluster	1,376	<b>3,165</b>	107	3%	1,477	3,058
Personal Finance	1,395	<b>3,151</b>	(270)	(8%)	1,501	3,421
Wealth & Investments	772	<b>1,623</b>	31	2%	839	1,592
Old Mutual Corporate	799	<b>1,576</b>	173	12%	666	1,403
Old Mutual Insure	96	<b>312</b>	232	290%	(44)	80
Rest of Africa	369	<b>1,074</b>	268	33%	183	806
LatAm & Asia	323	<b>609</b>	(2)	(0%)	287	611
Central expenses and administration costs	(190)	<b>(536)</b>	126	19%	(208)	(662)
<b>AOP pre-LTIR and finance costs</b>	<b>4,940</b>	<b>10,974</b>	<b>665</b>	<b>6%</b>	<b>4,701</b>	<b>10,309</b>
Long-term investment return <sup>1</sup>	1,371	<b>2,974</b>	23	1%	1,510	2,951
Finance costs	(286)	<b>(622)</b>	(93)	(18%)	(259)	(529)
<b>Total AOP (pre-tax &amp; NCI)</b>	<b>6,025</b>	<b>13,326</b>	<b>595</b>	<b>5%</b>	<b>5,952</b>	<b>12,731</b>

1. Long-term investment return includes the LTIR for the Rest of Africa (HY 2017: R404m; FY 2017: R996m; HY 2016: R405m and FY 2016: R849m).

## 2. Segments key financial indicators

2.1 <i>Mass &amp; Foundation Cluster</i> Key financial indicators (Rm)	2017		Change (FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
<b>AOP (pre-tax &amp; NCI)</b>	1,376	<b>3,165</b>	107	3%	1,477	3,058
<b>Gross flows</b>	5,709	<b>12,022</b>	1,174	11%	5,184	10,848
<b>Life APE sales</b>	1,766	<b>4,091</b>	135	3%	1,828	3,956
Single premium	1	<b>3</b>	(1)	(25%)	2	4
Recurring premium	1,765	<b>4,088</b>	136	3%	1,826	3,952
<b>NCCF (Rbn)</b>	2.9	<b>6.1</b>	0.5	9%	2.6	5.6
<b>FuM (Rbn)</b>	11.7	<b>12.4</b>	1.0	9%	11.9	11.4
<b>VNB</b>	585	<b>1,236</b>	181	17%	602	1,055
<b>VNB margin %</b>	10.2%	<b>10.6%</b>		1.2%	9.9%	9.4%

2.1.1 Old Mutual Finance Banking & Lending (Rm)	2017		Change (FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
<b>Total loans and advances</b>	11,150	<b>12,070</b>	(3,036)	(20%)	14,295	15,106
Performing	7,713	<b>8,695</b>	1,536	21%	6,965	7,159
Defaulted	3,437	<b>3,375</b>	323	11%	2,991	3,052
Long outstanding	–	–	(4,895)	(100%)	4,339	4,895
<b>Balance sheet impairment provision</b>	2,674	<b>2,568</b>	(4,001)	(61%)	5,986	6,569
Performing	534	<b>477</b>	84	21%	363	393
Defaulted	2,140	<b>2,091</b>	289	16%	1,762	1,802
Long outstanding	–	–	(4,374)	(100%)	3,861	4,374
Impairment coverage ratio <sup>1</sup>	24.0%	<b>21.3%</b>		(22.2%)	41.9%	43.5%
AOP (pre-tax)	364	<b>828</b>	23	3%	554	805
Net Interest Income (NII)	797	<b>1,587</b>	(130)	(8%)	937	1,717
Non-Interest revenue (NIR)	403	<b>812</b>	(40)	(5%)	428	852
Net lending margin (%)	15.3%	<b>16.2%</b>		(0.4%)	19.0%	16.6%
Credit loss ratio (%)	6.3%	<b>5.0%</b>		(1.0%)	5.7%	6.0%

1. Impairment coverage ratio is calculated as total balance sheet impairment provision over the total loans and advances balance.

2.2 Personal Finance Key financial indicators (Rm)	2017		Change (FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
<b>AOP (pre-tax &amp; NCI)</b>	1,395	<b>3,151</b>	(270)	(8%)	1,501	3,421
<b>Gross flows</b>	12,440	<b>24,947</b>	(28)	(0%)	12,831	24,975
<b>Life APE sales</b>	1,241	<b>2,502</b>	(101)	(4%)	1,325	2,603
Single premium	419	<b>831</b>	(59)	(7%)	481	890
Recurring premium	822	<b>1,671</b>	(42)	(2%)	844	1,713
<b>NCCF (Rbn)</b>	(1.3)	<b>(2.8)</b>	0.3	10%	(1.6)	(3.1)
<b>FuM (Rbn)</b>	192.0	<b>193.7</b>	9.6	5%	187.9	184.1
<b>VNB</b>	87	<b>366</b>	94	35%	112	272
<b>VNB margin %</b>	1.1%	<b>2.4%</b>		0.7%	1.4%	1.7%

2.3 <i>Wealth &amp; Investments</i> Key financial indicators (Rm)	Change					
	2017		(FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
AOP (pre-tax)	772	<b>1,623</b>	31	2%	839	1,592
Gross flows	42,405	<b>88,250</b>	(5,485)	(6%)	46,529	93,735
NCCF (Rbn)	1.8	<b>14.1</b>	(2.3)	(14%)	6.6	16.4
AUM <sup>1</sup> (Rbn)	695.3	<b>736.6</b>	105.8	17%	641.3	630.8
FuM	463.3	<b>498.1</b>	64.1	15%	435.9	434.0
Intergroup assets	329.8	<b>340.4</b>	55.2	19%	286.6	285.2
AuMA <sup>2</sup>	793.1	<b>838.5</b>	119.3	17%	722.5	719.2
Assets under administration	(97.8)	<b>(101.9)</b>	(13.5)	(15%)	(81.2)	(88.4)
<b>Total revenue</b>	<b>2,136</b>	<b>4,572</b>	<b>95</b>	<b>2%</b>	<b>2,289</b>	<b>4,477</b>
Annuity	2,003	<b>4,041</b>	128	3%	1,971	3,913
Non-annuity	133	<b>531</b>	(33)	(6%)	318	564

1. Assets under Management (AUM) comprises FUM as defined for the Group, as well as funds managed on behalf of other entities in the Group, which is reported as FUM of these respective segments. Assets under administration that is managed externally is not included in AUM.
2. Assets under Management and Administration (AuMA) comprises FUM plus intergroup assets.

2.3.1 <i>Wealth &amp; Investments – Adjusted operating profit (Rm)</i>	Change					
	2017		(FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
Wealth	370	<b>728</b>	61	9%	391	667
Asset Management	127	<b>224</b>	(72)	(24%)	133	296
<b>Wealth &amp; asset management</b>	<b>497</b>	<b>952</b>	<b>(11)</b>	<b>(1%)</b>	<b>524</b>	<b>963</b>
Alternatives	109	<b>277</b>	124	81%	77	153
OMSFIN	166	<b>394</b>	(36)	(8%)	214	430
Properties <sup>1</sup>	–	–	(46)	(100%)	24	46
<b>Total AOP (Rbn)</b>	<b>772</b>	<b>1,623</b>	<b>31</b>	<b>2%</b>	<b>839</b>	<b>1,592</b>
Profit margin <sup>2</sup>	0.24%	<b>0.24%</b>			0.26%	0.25%

1. With effect of HY 2016 Old Mutual Properties (OMP) business was transferred into OMLACSA, therefore FY 2016 profit only includes the related operational results of OMP until that date. The transaction also resulted in a decrease to OMIG FUM of R20.9bn at HY 2016 (used to calculate the margin above).
2. Profit margin equals the Adjusted Operating Profit divided by the average Assets under Management. The margin for 2017 excludes Properties.

2.3.2 <i>Wealth &amp; Investments – Net client cash flows (Rbn)</i>	Change					
	2017		(FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
Wealth	1.4	<b>8.8</b>	0.6	7%	2.8	8.2
Asset Management	0.5	<b>4.2</b>	(3.0)	(42%)	3.8	7.2
<b>Wealth &amp; asset management</b>	<b>1.9</b>	<b>13.0</b>	<b>(2.4)</b>	<b>(16%)</b>	<b>6.6</b>	<b>15.4</b>
Alternatives	(0.1)	<b>1.1</b>	0.1	10%	–	1.0
<b>Total NCCF (Rbn)</b>	<b>1.8</b>	<b>14.1</b>	<b>(2.3)</b>	<b>(14%)</b>	<b>6.6</b>	<b>16.4</b>

	2017		Change (FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
2.3.3 Wealth & Investments – Revenue (Rm)						
<b>Revenue – Annuity</b>						
Wealth	1,006	<b>2,027</b>	90	5%	1,014	1,937
Asset Management	513	<b>1,055</b>	47	5%	493	1,008
<b>Wealth &amp; asset management</b>	1,519	<b>3,082</b>	137	5%	1,507	2,945
Alternatives	192	<b>395</b>	(20)	(5%)	199	415
OMSFIN	292	<b>564</b>	11	2%	265	553
Properties	–	–	–	–	–	–
<b>Total Annuity Revenue (Rm)</b>	2,003	<b>4,041</b>	128	3%	1,971	3,913
<b>Revenue – Non-annuity</b>						
Wealth	–	–	–	–	–	–
Asset Management	41	<b>118</b>	(42)	(26%)	87	160
<b>Wealth &amp; asset management</b>	41	<b>118</b>	(42)	(26%)	87	160
Alternatives	116	<b>368</b>	223	154%	69	145
OMSFIN	(24)	<b>45</b>	(49)	(52%)	47	94
Properties	–	–	(165)	(100%)	115	165
<b>Total Non-annuity Revenue (Rm)</b>	133	<b>531</b>	(33)	(6%)	318	564
	2017		Change (FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
2.4 <i>Old Mutual Corporate</i> <i>Key financial indicators (Rm)</i>						
<b>AOP (pre-tax &amp; NCI)</b>	799	<b>1,576</b>	173	12%	666	1,403
<b>Gross flows</b>	16,760	<b>35,671</b>	(2,010)	(5%)	19,004	37,681
<b>Life APE sales</b>	1,159	<b>2,719</b>	(318)	(10%)	1,527	3,037
Single premium	818	<b>1,804</b>	(248)	(12%)	953	2,052
Recurring premium	341	<b>915</b>	(70)	(7%)	574	985
<b>NCCF(Rbn)</b>	(0.3)	<b>(7.1)</b>	(10.8)	(292%)	2.8	3.7
<b>FuM (Rbn)</b>	251.6	<b>255.6</b>	10.2	4%	244.5	245.4
<b>VNB</b>	130	<b>254</b>	(247)	(49%)	289	501
<b>VNB margin %</b>	1.2%	<b>1.0%</b>		(0.8%)	1.9%	1.8%

		Change					
		2017		(FY'17 vs FY'16)		2016	
2.5	<i>Old Mutual Insure</i>	HY	FY	Value	%	HY	FY
<i>Key financial indicators (Rm)</i>							
<b>AOP (pre-tax &amp; NCI)</b>		297	<b>717</b>	232	48%	170	485
Underwriting result		96	<b>312</b>	232	290%	(44)	80
LTIR		201	<b>405</b>	–	–	214	405
Gross written premiums		6,098	<b>12,481</b>	399	3%	6,000	12,082
Net Earned premiums		4,215	<b>8,409</b>	(201)	(2%)	4,335	8,610
<b>Underwriting result</b>		96	<b>312</b>	232	290%	(44)	80
Personal		73	<b>179</b>	222	516%	(58)	(43)
Commercial		45	<b>166</b>	165	16500%	(50)	1
OMSI (previously Corporate & Niche)		(25)	<b>(90)</b>	(78)	(650%)	(3)	(12)
CGIC		12	<b>60</b>	127	190%	(66)	(67)
Central expenses		(9)	<b>(3)</b>	(204)	(101%)	133	201
Underwriting margin (%)		2.3%	<b>3.7%</b>		2.8%	(1.0%)	0.9%
Insurance margin (%)		4.8%	<b>6.1%</b>		3.2%	1.1%	2.9%
Claims ratio (%) <sup>1</sup>		59.9%	<b>61.4%</b>		(1.7%)	65.6%	63.1%
Combined ratio (%)		97.7%	<b>96.3%</b>		(2.8%)	101.0%	99.1%

1. Includes claims administration costs transferred from management expenses.

		Change					
		2017		(FY'17 vs FY'16)		2016	
2.6	<i>Rest of Africa Key financial</i>	HY	FY	Value	%	HY	FY
<i>indicators (Rm)</i>							
<b>AOP (pre-tax &amp; NCI)<sup>1</sup></b>		773	<b>2,070</b>	415	25%	588	1,655
<b>Gross flows</b>		10,356	<b>21,306</b>	2,008	10%	10,182	19,298
<b>Life APE sales</b>		542	<b>1,347</b>	252	23%	542	1,095
Single premium		105	<b>238</b>	38	19%	98	200
Recurring premium		437	<b>1,109</b>	214	24%	444	895
<b>NCCF (Rbn)</b>		1.6	<b>2.2</b>	(1.0)	(31%)	2.2	3.2
<b>FuM (Rbn)</b>		96.7	<b>104.0</b>	14.4	16%	89.8	89.6
<b>VNB</b>		127	<b>267</b>	57	27%	92	210
<b>VNB margin %</b>		4.3%	<b>4.3%</b>		0.5%	3.5%	3.8%
<b>Banking &amp; Lending<sup>2</sup></b>							
Loans and advances		10,989	<b>11,241</b>	499	5%	10,850	10,742
Net lending margin (%) <sup>3</sup>		9.5%	<b>11.4%</b>		(0.4%)	12.5%	11.8%
Credit loss ratio (%)		0.9%	<b>0.4%</b>		0.1%	(0.7%)	0.3%
<b>Property &amp; Casualty</b>							
Gross written premiums		1,919	<b>3,654</b>	(437)	(11%)	2,218	4,091
Net earned premiums		1,360	<b>2,800</b>	(262)	(9%)	1,531	3,062
Underwriting margin (%)		(4.2%)	<b>(1.1%)</b>		(4.3%)	(0.9%)	3.2%
Combined ratio		104.2%	<b>101.1%</b>		4.3%	100.9%	96.8%

1. AOP includes the LTIR for the Rest of Africa (HY 2017: R404m; FY 2017: R996m; HY 2016: R405m and FY 2016: R849m).

2. Includes Faulu in Kenya, CABS in Zimbabwe and OMF Namibia from 2017, as well as central expenses.

3. Net interest margin plus loan fees plus net credit life margin as % of average loans.

2.6.1 SADC Key financial indicators (Rm)	2017		Change (FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
<b>AOP (pre-tax &amp; NCI)<sup>1</sup></b>	868	<b>2,225</b>	288	15%	868	1,937
<b>Gross flows</b>	7,944	<b>17,291</b>	1,731	11%	8,043	15,560
<b>Life APE sales</b>	435	<b>1,131</b>	274	32%	419	857
<b>NCCF (Rbn)</b>	0.7	<b>1.0</b>	(1.4)	(58%)	1.6	2.4
<b>FuM (Rbn)</b>	71.8	<b>79.3</b>	12.0	18%	66.5	67.3
<b>VNB</b>	172	<b>337</b>	58	21%	134	279
<b>VNB margin %</b>	6.4%	<b>6.0%</b>		0.4%	5.7%	5.6%
<b>Banking &amp; Lending<sup>2</sup></b>						
Loans and advances	8,796	<b>9,167</b>	889	11%	8,148	8,278
Net lending margin (%) <sup>3</sup>	9.0%	<b>11.0%</b>		(0.6%)	12.1%	11.6%
Credit loss ratio (%)	1.0%	<b>0.17%</b>		0.1%	(1.1%)	0.1%
<b>Property &amp; Casualty</b>						
Gross written premiums	688	<b>1,361</b>	(44)	(3%)	761	1,405
Net earned premiums	499	<b>1,016</b>	6	1%	509	1,010
Underwriting margin (%)	6.2%	<b>7.2%</b>		(5.3%)	17.3%	12.5%

1. AOP includes the LTIR for SADC (HY 2017: R266m; FY 2017: R705m; HY 2016: R255m and FY 2016: R509m).

2. From 2017 includes OMF Namibia.

3. Net interest margin plus loan fees plus net credit life margin as % of average loans.

2.6.2 East Africa Key financial indicators (Rm)	2017		Change (FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
<b>AOP (pre-tax &amp; NCI)<sup>1</sup></b>	69	<b>185</b>	74	67%	(44)	111
<b>Gross flows</b>	2,264	<b>3,735</b>	240	7%	2,008	3,495
<b>Life APE sales</b>	45	<b>100</b>	(30)	(23%)	66	130
<b>NCCF (Rbn)</b>	0.8	<b>1.1</b>	0.3	38%	0.6	0.8
<b>FuM (Rbn)</b>	23.9	<b>23.8</b>	2.3	11%	22.4	21.5
<b>VNB</b>	(22)	<b>(38)</b>	21	36%	(30)	(59)
<b>VNB margin %</b>	(21.3%)	<b>(22.2%)</b>		1.4%	(23.3%)	(23.6%)
<b>Banking &amp; Lending</b>						
Loans and advances	2,193	<b>2,074</b>	(390)	(16%)	2,702	2,464
Net lending margin (%) <sup>2</sup>	11.6%	<b>12.8%</b>		0.2%	13.6%	12.6%
Credit loss ratio (%)	0.6%	<b>1.3%</b>		0.3%	0.8%	1.0%
<b>Property &amp; Casualty</b>						
Gross written premiums	1,132	<b>2,145</b>	(349)	(14%)	1,317	2,494
Net earned premiums	841	<b>1,741</b>	(250)	(13%)	973	1,991
Underwriting margin (%)	(5.2%)	<b>(0.3%)</b>		(1.5%)	(7.8%)	1.2%

1. AOP includes the LTIR for East Africa (HY 2017: R115m; FY 2017: R246m; HY 2016: R112m and FY 2016: R278m).

2. Net interest margin plus loan fees plus net credit life margin as % of average loans.

2.6.3 West Africa Key financial indicators (Rm)	Change					
	2017		(FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
<b>AOP (pre-tax &amp; NCI)<sup>1</sup></b>	(77)	<b>(137)</b>	(19)	(16%)	(121)	(118)
<b>Gross flows</b>	148	<b>280</b>	37	15%	131	243
<b>Life APE sales</b>	62	<b>116</b>	8	7%	57	108
<b>NCCF (Rbn)</b>	0.1	<b>0.2</b>	0.1	100%	0.1	0.1
<b>FuM (Rbn)</b>	1.0	<b>0.9</b>	–	–	0.9	0.9
<b>VNB</b>	(23)	<b>(32)</b>	(22)	(220%)	(12)	(10)
<b>VNB margin %</b>	(11.4%)	<b>(8.1%)</b>		(4.6%)	(8.4%)	(3.5%)
<b>Property &amp; Casualty</b>						
Gross written premiums	99	<b>148</b>	(44)	(23%)	140	192
Net earned premiums	21	<b>43</b>	(19)	(31%)	49	62
Underwriting margin (%)	(128.6%)	<b>(104.7%)</b>		(6.3%)	(53.1%)	(98.4%)

1. AOP includes the LTIR for West Africa (HY 2017: R23m; FY 2017: R45m; HY 2016: R38m and FY 2016: R62m).

2.7 LatAm & Asia <sup>1</sup> Key financial indicators (Rm)	Change					
	2017		(FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
<b>AOP (pre-tax &amp; NCI)<sup>2</sup></b>	323	<b>609</b>	(2)	(0%)	287	611
<b>Gross flows<sup>3</sup></b>	25,850	<b>63,325</b>	8,444	15%	21,258	54,881
<b>Life APE sales<sup>4</sup></b>	1,180	<b>1,877</b>	(448)	(19%)	1,364	2,325
Single premium <sup>5</sup>	196	<b>300</b>	(143)	(32%)	346	443
Recurring premium <sup>6</sup>	984	<b>1,577</b>	(305)	(16%)	1,018	1,882
<b>NCCF (Rbn)<sup>7</sup></b>	8.4	<b>24.9</b>	15.3	159%	2.7	9.6
<b>FuM (Rbn)<sup>8</sup></b>	178.6	<b>179.9</b>	11.8	7%	173.5	168.1
<b>VNB<sup>9</sup></b>	(9)	<b>(24)</b>	19	44%	(24)	(43)
<b>VNB margin %<sup>9</sup></b>	(0.6%)	<b>(0.8%)</b>		0.8%	(1.8%)	(1.6%)

1. Asia includes India until 30 September 2017.

2. India AOP was R181m at FY 2017 (HY 2017: R118m; HY 2016: R98m; FY 2016: R177m).

3. India gross flows were HY 2017: R1,624m; FY 2017: R2,345m HY 2016: R1,455m; FY 2016: R2,650m).

4. Total India APE sales were HY 2017: R717m; FY 2017: R1,007m (HY 2016: R649m; FY 2016: R1,144m).

5. India single premium sales were HY 2017: R25m; FY 2017: R35m (HY 2016: R22m; FY 2016: R40m).

6. India recurring premium sales were HY 2017: R692m; FY 2017: R972m (HY 2016: R627m; FY 2016: R1,104m).

7. India NCCF was HY 2017: R0.9bn; FY 2017: R1.3bn (HY 2016: R0.8bn; FY 2016: R1.5bn).

8. India FUM on a start and end manager basis was HY 2017: R11.4bn; FY 2017 Rnil (HY 2016: R10.0bn; FY 2016: R10.0bn).

9. No PVNBP/VNB is calculated for life APE sales in Asia.



### 3. Other Group activities

3.1 <i>Old Mutual Emerging Markets</i> <i>Source of earnings (Rm)</i>	FY 2017					Change		FY 2016				
	South Africa <sup>1/2</sup>	Rest of Africa	LatAm & Asia	Other	OMEM	(FY'17 vs FY'16)		South Africa <sup>1/2</sup>	Rest of Africa	LatAm & Asia	Other	OMEM
						Value	%					
New business strain	(203)	(173)	(243)	–	(619)	434	41%	(617)	(174)	(262)	–	(1,053)
Expected profits	5,793	455	93	–	6,341	39	1%	5,734	484	84	–	6,302
Non-economic experience items	870	(61)	330	–	1,139	(365)	(24%)	1,282	(122)	344	–	1,504
Experience variances	138	(18)	330	–	450	58	15%	101	(53)	344	–	392
Assumption changes	732	(43)	–	–	689	(423)	(38%)	1,181	(69)	–	–	1,112
Economic experience items	900	122	–	–	1,022	147	17%	908	(34)	1	–	875
Investment variances	652	124	–	–	776	(11)	(1%)	781	5	1	–	787
Assumption changes	248	(2)	–	–	246	158	180%	127	(39)	–	–	88
<b>Life &amp; Savings AOP</b>	7,360	343	180	–	7,883	255	3%	7,307	154	167	–	7,628
<b>Asset Management AOP</b>	807	208	429	–	1,444	298	26%	712	(10)	444	–	1,146
<b>Banking &amp; Lending AOP</b>	812	553	–	–	1,365	8	1%	793	564	–	–	1,357
Net earned premiums	8,409	2,800	–	–	11,209	(463)	(4%)	8,610	3,062	–	–	11,672
Net claims incurred	(5,160)	(1,551)	–	–	(6,711)	464	6%	(5,431)	(1,744)	–	–	(7,175)
Net commission expenses	(1,381)	(172)	–	–	(1,553)	273	15%	(1,549)	(277)	–	–	(1,826)
Net operating expenses	(1,556)	(1,107)	–	–	(2,663)	(170)	(7%)	(1,550)	(943)	–	–	(2,493)
<b>Property &amp; Casualty AOP</b>	312	(30)	–	–	282	104	58%	80	98	–	–	178
<b>AOP pre-LTIR and finance costs</b>	9,291	1,074	609	–	10,974	665	6%	8,892	806	611	–	10,309
Long-term investment return	1,978	996	–	–	2,974	23	1%	2,102	849	–	–	2,951
Debt costs	–	–	–	(622)	(622)	(93)	(18%)	–	–	–	(529)	(529)
<b>Shareholder</b>	1,978	996	–	(622)	2,352	(70)	(3%)	2,102	849	–	(529)	2,422
<b>AOP (pre-tax and NCI)</b>	11,269	2,070	609	(622)	13,326	595	5%	10,994	1,655	611	(529)	12,731
<b>AOP analysis by line of business (post-tax &amp; NCI)</b>												
Life & savings	5,910	696	178	–	6,784	(95)	(1%)	6,233	490	155	–	6,879
Asset Management	637	48	246	–	931	239	35%	489	(73)	277	–	692
Banking & Lending	478	430	–	–	908	17	2%	443	449	–	–	891
Property & Casualty	505	71	–	–	576	4	1%	354	217	–	–	572
<b>Total return (post-tax &amp; NCI) (Rm)</b>	7,530	1,245	424	–	9,199	165	2%	7,519	1,083	432	–	9,034

1. Central expenses and administration costs have been allocated to South African lines of business (FY 2017: R536m; FY 2016: R662m).

2. Debt costs have been allocated to South African lines of business on a post-tax & NCI basis.

3.2 <i>Old Mutual Emerging Markets Adjusted Return on Equity</i>	2017		Change (FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
AOP post tax & NCI						
South Africa	3,419	<b>7,530</b>	11	0%	3,517	7,519
Rest of Africa	492	<b>1,245</b>	162	15%	411	1,083
LatAm & Asia	233	<b>424</b>	(8)	(2%)	204	432
<b>Total AOP post tax &amp; NCI</b>	<b>4,144</b>	<b>9,199</b>	<b>165</b>	<b>2%</b>	<b>4,132</b>	<b>9,034</b>
<b>Average shareholders' equity<sup>1</sup></b>						
South Africa	29,984	<b>30,740</b>	2,880	10%	27,452	27,860
Rest of Africa	9,974	<b>10,457</b>	60	1%	10,580	10,397
LatAm & Asia	3,717	<b>3,383</b>	(184)	(5%)	3,647	3,567
<b>Total Average shareholders' equity</b>	<b>43,675</b>	<b>44,580</b>	<b>2,756</b>	<b>7%</b>	<b>41,679</b>	<b>41,824</b>
<b>Adjusted RoE</b>						
South Africa	22.8%	<b>24.5%</b>		(2.5%)	25.6%	27.0%
Rest of Africa	9.9%	<b>11.9%</b>		1.5%	7.8%	10.4%
LatAm & Asia	12.5%	<b>12.5%</b>		0.4%	11.2%	12.1%
<b>Total Adjusted RoE</b>	<b>19.0%</b>	<b>20.6%</b>		(1.0%)	<b>19.8%</b>	<b>21.6%</b>

1. Effective 1 January 2017, management of Old Mutual Life Assurance Company (South Africa) Limited offshore branches and OMI-Guernsey, previously reported in the Old Mutual Wealth segment, have been transferred to Old Mutual Emerging Markets. Comparative information has been re-presented. The operating results of these segments have not been re-presented as the income statement impact is considered not material.

3.3 <i>Old Mutual Emerging Markets MCEV operating earnings (post-tax) – (covered business only) (Rm)</i>	2017		Change (FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
<b>South Africa</b>	<b>3,388</b>	<b>7,335</b>	(214)	(3%)	<b>3,942</b>	<b>7,549</b>
<b>Rest of Africa</b>	<b>330</b>	<b>909</b>	110	14%	<b>261</b>	<b>799</b>
<b>LatAm &amp; Asia<sup>1</sup></b>	<b>51</b>	<b>(111)</b>	(140)	(483%)	<b>(21)</b>	<b>29</b>
<b>Total MCEV operating earnings (post-tax) (Rm)<sup>2</sup></b>	<b>3,769</b>	<b>8,133</b>	<b>(244)</b>	<b>(3%)</b>	<b>4,182</b>	<b>8,377</b>
<b>Reconciliation of MCEV covered business earnings to AOP post-tax &amp; NCI</b>						
Covered business <sup>3</sup>	2,965	<b>6,598</b>	(75)	(1%)	2,869	6,673
Non-covered business <sup>4</sup>	153	<b>186</b>	(20)	(10%)	126	206
<b>Total life and savings AOP post tax &amp; NCI</b>	<b>3,118</b>	<b>6,784</b>	<b>(95)</b>	<b>(1%)</b>	<b>2,995</b>	<b>6,879</b>
Covered business AOP post tax & NCI <sup>3</sup>	2,965	<b>6,598</b>	(75)	(1%)	2,869	6,673
Other adjustments <sup>3</sup>	32	<b>(66)</b>	(75)	(833%)	(175)	9
Adjusted net worth earnings	2,997	<b>6,532</b>	(150)	(2%)	2,694	6,682
Other value in force earnings	772	<b>1,601</b>	(94)	(6%)	1,488	1,695
<b>MCEV earnings</b>	<b>3,769</b>	<b>8,133</b>	<b>(244)</b>	<b>(3%)</b>	<b>4,182</b>	<b>8,377</b>

1. Asia & Latin America includes Mexico and Colombia.

2. MCEV information is subject to departures from MCEV Principles (Copyright © Stichting CFO Forum Foundation 2008) due to the use of the government bond yield curve in the majority of Old Mutual Emerging Markets.

3. From 2017 LTIR on assets in excess of regulatory required capital is now reported within OMEM, previously reported within Old Mutual plc. Comparatives have been restated (HY 2016: R165m; FY 2016: R303m). These profits have however always been included in MCEV earnings and therefore no restatement of MCEV earnings in 2016.

4. From 2017 onwards, OMI AOP is reported in OMEM's results, previously OM Wealth (HY 2017: R38m). Comparatives have not been restated.

3.4 <i>Old Mutual Emerging Markets Funds under management by investment type</i>	FY 2017		FY 2016	
	Total client FUM	Shareholder funds	Total client FUM	Shareholder funds
Fixed interest	22%	7%	25%	8%
Equities	38%	30%	43%	24%
Cash	23%	52%	11%	52%
Property and Alternatives	17%	11%	21%	16%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Retail	45%	–	50%	–
Institutional	55%	–	50%	–
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>–</b>

3.5 <i>Old Mutual Emerging Markets Solvency position (Rbn)</i>	2017		Change (FY'17 vs FY'16)		2016	
	HY	FY	Value	%	HY	FY
<b>South Africa Life (OMLACSA) – solvency position</b>						
Net assets	582.4	<b>617.1</b>	43.4	8%	574.8	573.7
Actuarial liabilities	(532.9)	<b>(567.2)</b>	(43.2)	(8%)	(527.7)	(524.0)
Excess assets	49.5	<b>49.9</b>	0.2	0%	47.1	49.7
Less: inadmissible assets	(9.8)	<b>(10.3)</b>	(0.7)	(7%)	(10.2)	(9.6)
Add: unsecured subordinate callable bonds	5.9	<b>6.0</b>	0.1	2%	5.9	5.9
Excess admissible assets	45.6	<b>45.6</b>	(0.4)	(1%)	42.8	46.0
Statutory capital adequacy requirement	14.8	<b>15.4</b>	1.1	8%	13.6	14.3
<b>Statutory capital cover (after regulatory asset limits)</b>	3.1	<b>3.0</b>	(0.2)	(6%)	3.1	3.2
<b>Old Mutual Insure - solvency position</b>						
Excess admissible assets	3.1	<b>3.5</b>	0.5	17%	2.9	3.0
Statutory capital adequacy requirement	2.0	<b>2.0</b>	–	–	2.1	2.0
<b>Statutory capital cover (after regulatory asset limits)</b>	1.6	<b>1.7</b>	0.2	13%	1.4	1.5

#### Old Mutual Limited as a standalone business

#### 4. Overview

4.1 <i>Old Mutual Limited Key financial indicators (Rm)</i>	2017 FY	Change (FY'17 vs FY'16)		2016 FY
		Value	%	
Results from Operations (RFO) <sup>1</sup>	<b>10,976</b>	781	8%	10,195
Adjusted Headline Earnings (AHE) <sup>2</sup>	<b>13,409</b>	2,644	25%	10,765
Return on Net Asset Value (RoNAV) (%) <sup>3</sup>	<b>22.3%</b>		3.4%	18.9%
Free surplus generated <sup>4</sup>	<b>8,006</b>	1,832	30%	6,174
% of AHE converted to free surplus	<b>60%</b>		3%	57%
OML SAM Solvency ratio (%)	<b>167%</b>		–	n/a

- Results from Operations is Adjusted Headline Earnings before shareholder tax and minority interest, excluding net investment return on shareholder assets and finance costs.
- Adjusted Headline Earnings is headline earnings defined by SAICA Circular 2/2015 adjusted for items that are not reflective of the economic performance of the Group.
- RoNAV is calculated as Adjusted Headline Earnings divided by average Adjusted IFRS equity. Adjusted IFRS Equity is calculated as total Group equity attributable to ordinary equity shareholders before adjustments related to consolidation of funds. It excludes equity related to residual Old Mutual plc's net assets and discontinued operations and is further adjusted to recognise the equity attributable to the retained 19.9% interest in Nedbank. From the time to the anticipated unbundling of Nedbank, the equity attributable to Nedbank will be adjusted to remove the one-off fair value adjustment required under IFRS and the same adjustment will be applied when calculating RoNAV on an ongoing basis. The average Adjusted IFRS equity will be calculated on a quarterly basis for each reporting year.

4. Free surplus generation is the difference between Adjusted Headline Earnings and the amount of capital required by the businesses to grow in line with the Group's strategy. This metric includes adjustments for non-fungible earnings and only includes Nedbank's contribution as a dividend and as such is a measure of surplus cash generated by the Group available for distribution or investment.

4.2 <i>Old Mutual Limited Adjusted headline earnings reconciliation (Rm)</i>	2017 FY	Change (FY'17 vs FY'16)		2016 FY
		Value	%	
<b>AOP (pre-tax &amp; NCI)</b>	<b>13,326</b>	595	5%	12,731
Long-term investment return	(2,974)	(23)	(1%)	(2,951)
Shareholder investment return <sup>1</sup>	5,120	2,745	116%	2,375
Amortisation of acquired intangibles and acquisition costs	(221)	130	37%	(351)
Impairment of intangible assets and fixed assets	23	(44)	(66%)	67
Income from associates (19.9% stake in Nedbank)	2,346	64	3%	2,282
<b>Adjusted Headline Earnings before tax and NCI</b>	<b>17,620</b>	3,467	24%	14,153
Shareholder tax	(3,723)	(575)	(18%)	(3,148)
Non-controlling interest	(488)	(248)	(103%)	(240)
<b>Adjusted Headline Earnings</b>	<b>13,409</b>	2,644	25%	10,765

1. Represents actual investment return on shareholder assets, net of costs to generate it. Amounts include investment return on insurance funds to the amount of R200m and R170m related to Old Mutual Insure for the 2017 and 2016 financial years, respectively. These amounts are presented in Old Mutual Insure's Results from Operations in the build of Adjusted Headline Earnings.

4.3 <i>Old Mutual Limited Supplementary income statement (Rm)</i>	2017 FY	Change (FY'17 vs FY'16)		2016 FY
		Value	%	
Mass & Foundation Cluster	3,052	209	7%	2,843
Personal Finance	3,150	(271)	(8%)	3,421
Wealth & Investments	1,490	29	2%	1,461
Old Mutual Corporate	1,576	173	12%	1,403
Old Mutual Insure	524	269	105%	255
Rest of Africa	1,081	220	26%	861
LatAm & Asia	609	(2)	(0%)	611
Central expenses and administration costs	(506)	154	23%	(660)
<b>Results from Operations</b>	<b>10,976</b>	781	8%	10,195
Shareholder investment return	4,920	2,715	123%	2,205
Finance costs	(622)	(93)	(18%)	(529)
Income from 19.9% stake in Nedbank	2,346	64	3%	2,282
<b>Adjusted Headline Earnings pre-tax and NCI</b>	<b>17,620</b>	3,467	24%	14,153
Shareholder tax	(3,723)	(575)	(18%)	(3,148)
Non-controlling interest	(488)	(248)	(103%)	(240)
<b>Total Adjusted Headline Earnings</b>	<b>13,409</b>	2,644	25%	10,765

4.4 <i>Old Mutual Limited Return on Net Asset Value (%)</i>	2017 FY	Change (FY'17 vs FY'16)		2016 FY
		%		
South Africa	20.8%	0.9%		19.9%
Rest of Africa	31.1%	14.9%		16.2%
LatAm & Asia	14.0%	0.6%		13.4%
<b>Total RoNAV</b>	<b>22.3%</b>	3.4%		18.9%

	2017 FY	Change (FY'17 vs FY'16)		2016 FY
		Value	%	
<b>4.5 Old Mutual Limited Return on Net Asset Value (%)</b>				
New business strain	(619)	434	41%	(1,053)
Expected profits	6,341	39	1%	6,302
Non-economic experience items	1,139	(365)	(24%)	1,504
Experience variances	450	58	15%	392
Assumption changes	689	(423)	(38%)	1,112
Economic experience items	1,022	147	17%	875
Investment variances	776	(11)	(1%)	787
Assumption changes	246	158	180%	88
Other adjustments	34	17	100%	17
<b>Life &amp; Savings Results from Operations</b>	<b>7,917</b>	<b>272</b>	<b>4%</b>	<b>7,645</b>
<b>Asset Management Results from Operations<sup>1</sup></b>	<b>1,314</b>	<b>278</b>	<b>27%</b>	<b>1,036</b>
<b>Banking &amp; Lending Results from Operations<sup>1</sup></b>	<b>1,255</b>	<b>86</b>	<b>7%</b>	<b>1,169</b>
Net earned premiums	11,209	(463)	(4%)	11,672
Net claims incurred	(6,711)	464	6%	(7,175)
Net commission expenses	(1,553)	273	15%	(1,826)
Net operating expenses <sup>1</sup>	(2,655)	(159)	(6%)	(2,496)
Investment return on insurance funds	200	30	18%	170
<b>Property &amp; Casualty Results from Operations</b>	<b>490</b>	<b>145</b>	<b>42%</b>	<b>345</b>
Investment return	4,920	2,715	123%	2,205
Finance costs	(622)	(93)	(18%)	(529)
Income from associates (19.9% stake in Nedbank)	2,346	64	3%	2,282
<b>Other Group Activities</b>	<b>6,644</b>	<b>2,686</b>	<b>68%</b>	<b>3,958</b>
<b>Adjusted Headline Earnings (pre-tax and NCI)</b>	<b>17,620</b>	<b>3,467</b>	<b>24%</b>	<b>14,153</b>

1. Asset Management Results from Operations, Banking & Lending Results from Operations and Property & Casualty net operating expenses are net of Adjusted Headline Earnings adjustments.

	2017 FY	Change (FY'17 vs FY'16)		2016 FY
		Value	%	
<b>4.6 Old Mutual Limited SAM Solvency position (Rbn)<sup>1</sup></b>				
Own funds	98.3	–	–	n/a
Actuarial liabilities	58.9	–	–	n/a
<b>OML SAM solvency ratio (%)</b>	<b>167%</b>	<b>–</b>	<b>–</b>	<b>n/a</b>

1. Pro-forma at 31 December 2017. The Standard Formula allows for, subject to regulatory approval, certain methodology elections to be made. The estimated SAM solvency positions are presented on the basis of the Group's preferred methodology which will, once the SAM framework is implemented, be formally presented for Regulatory approval. This is based on our current shareholding in Nedbank and excludes any residual plc NAV surplus.

	2017 FY	Change (FY'17 vs FY'16)		2016 FY
		Value	%	
<b>4.7 Old Mutual Limited Debt summary (Rm)</b>				
<b>Gearing<sup>1</sup></b>				
Total IFRS book value of subordinated debt	6,494	594	10%	5,900
OMEM IFRS net asset value	50,113	4,360	10%	45,753
Gearing - IFRS basis	11.5%		0.1%	11.4%
<b>Interest cover</b>				
Finance costs	622	93	18%	529
AHE pre-tax & NCI and debt service costs	18,242	3,560	24%	14,682
Interest cover	29.3	1.6	6%	27.8

1. Debt ratios are calculated based on the IFRS book value of OMEM debt that supports the capital structure. This excludes non-qualifying debt, Nedbank and Old Mutual plc debt. As such, the IFRS net asset value is on the same basis, and therefore also excludes Nedbank and Old Mutual plc net asset value. This is subject to future engagement with the rating agencies and may change in future.

## PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Unless expressly provided or indicated otherwise by the context, this section of this Pre-listing Statement has been prepared on the basis of the Group as it would have existed if the Second Scheme Effective Time had occurred on the Last Practicable Date.

### 1. Other Directorships and Partnerships Held by the Directors and Senior Management

The names of all companies (other than the Company's subsidiaries) and partnerships of which the Directors and directors of the Major Subsidiary and Senior Management of the Company and its Major Subsidiary, have been a director or partner at any time in the 5 years preceding the Last Practicable Date listed below:

Name	Directorships	Status
Manuel, Trevor Andrew	Allan Gray Orbis Foundation	Active
	Rothschild South Africa Proprietary Limited	Active
	SABMiller Limited	Resigned
	Swiss Reinsurance Company Limited	Active
Moyo, Mthandazo Peter	Aid for AIDS Proprietary Limited	Active
	Alexander Forbes Limited	Resigned
	Amabubesi Property Holdings Proprietary Limited	Resigned
	Business Against Crime-South Africa SOC Limited	Active
	Business Leadership SA NPO	Active
	Clorpique 149 Proprietary Limited	Active
	Dartingo Trading 161 Proprietary Limited	Active
	Deal Commerce Services Proprietary Limited	Resigned
	Falconmere Proprietary Limited	Active
	FFSGH Employee Investments Limited	Resigned
	GMA Trading 1 Proprietary Limited	Resigned
	Liberty Holdings Limited	Resigned
	NMT Capital	Active
	Purple Fountain Properties 103 CC	Active
	Right to Care Health Services Proprietary Limited	Active
	STS Property Holdings Proprietary Limited	Active
	Superflex Limited	Resigned
	Transnet SOC Limited	Resigned
	Vodacom Group Limited	Resigned
Johnson, Ingrid Gail	None	–
Troskie, Casparus Gerhardus	Liberty STI Proprietary Limited	Resigned
	Vaxolinx Proprietary Limited	Active
	Stanlib Multi-Manager Proprietary Limited	Resigned
	Liberty Health Holdings Proprietary Limited	Resigned
	Frank Financial Services Proprietary Limited	Resigned
	Frank Life Limited	Resigned
	Liberty Group Limited	Resigned
	Liberty Holdings Limited	Resigned
	Stanlib Asset Management Proprietary Limited	Resigned
	Stanlib Collective Investments (RF) Proprietary Limited	Resigned
	Liberty Wealth Consultancy Proprietary Limited	Resigned
	Liberty Active Limited	Resigned
	Stanlib Wealth Management Proprietary Limited	Resigned
	Stanlib Limited	Resigned
	Own Your Life Rewards Proprietary Limited	Resigned

<b>Name</b>	<b>Directorships</b>	<b>Status</b>
Baloyi, Paul Cambo	Alphamin Limited	Active
	Austro Group Limited	Active
	Basil Read Holdings Limited	Active
	Basil Read Limited	Active
	Bid Corporation Limited	Active
	Block 11 Waterford Proprietary Limited	Active
	CapLeverage Proprietary Limited	Active
	ENX Group Limited	Active
	Hudaco Industries Limited	Active
	Karoshoeck Solar One (RF) Proprietary Limited	Active
	Nekomax Proprietary Limited	Active
	Nulane Investment Holdings Proprietary Limited	Dormant inactive
	Platinum High Tech Park Development Proprietary Limited	Active
	Samvenice Trading 1 Proprietary Limited	Active
	Talent 10 Holdings Proprietary Limited	Active
Du Toit, Matthys Michielse	Attacq Limited	Active
	Caput Proprietary Limited	Active
	De Ouwe Dorp NPC	Active
	ERF 81 Lynnwood	Active
	Pioneer Food Group Limited	Resigned
	RCapital Proprietary Limited	Active
	Rootstock Investment Management Proprietary Limited	Active
Essien, Albert Kobina	College of Physicians and Surgeons, Endowment Fund	Active
	Fidelity Bank Limited (Consultant)	Active
	Ghana Interbank Payment Settlement Payment Systems Limited	Active
	Ghana Stock Exchange	Active
	GHL Bank Limited	Active
	LMI Holdings	Active
	Oasis Africa Capital Fund Limited	Active
Kgaboesele, Itumeleng	African Leadership Academy NPC	Resigned
	Babcock Ntuthuko Aviation Proprietary Limited	Active
	BBD Holdings Proprietary Limited	Active
	Barone Budge And Dominick Proprietary Limited	Resigned
	Brandcorp Holdings Proprietary Limited	Resigned
	Consol Group Proprietary Limited	Active
	Ditswammung Mineral Resources Consortium Proprietary Limited	Active
	Entrepreneurs Organisation NPC	Resigned
	Ethos Private Equity Proprietary Limited	Resigned
	Friedshelf 1291 Proprietary Limited	Active
	Fillan Forest Homeowners Association CC	Resigned
	Four Fillan Forest Proprietary Limited	Active
	Honeywell Automation and Control Solutions South Africa Proprietary Limited	Active
	I Kgaboesele Family Trust	Active
	Jaxson 653 Proprietary Limited	Active
	Lace Diamond Mines Proprietary Limited	Resigned
	Main Street 778 Proprietary Limited	Active
	Pandrol SA Proprietary Limited	Active
	Pearson (South Africa) Proprietary Limited	Active
	Sphere Holdings Proprietary Limited	Active
	Tau Sachin Capital Proprietary Limited	Active

<b>Name</b>	<b>Directorships</b>	<b>Status</b>
Kgaboesele, Itumeleng	Telkom SA SOC Limited	Active
	Wheatfields Investments 216 Proprietary Limited	Resigned
	Wiphold Financial Services Number One Proprietary Limited	Resigned
	Wiphold Financial Service Number Two Proprietary Limited	Resigned
	Wiphold Financial Service Number Three Proprietary Limited	Resigned
Lister, John Robert	Abbey Life Assurance Company Limited	Active
	Aviva Annuity UK Limited	Resigned
	Aviva Equity Release UK Limited	Resigned
	Aviva Health UK Limited	Resigned
	Aviva Insurance Limited	Resigned
	Aviva International Insurance Limited	Resigned
	Aviva Investors Global Services Limited	Resigned
	Aviva Life & Pensions UK Limited	Resigned
	Aviva Life Services UK Limited	Resigned
	Aviva Pension Trustees UK Limited	Resigned
	Aviva plc	Resigned
	AXA Wealth Limited	Active
	Friends Annuities Limited	Resigned
	Friends Life & Pensions Limited	Resigned
	Friends Life Investment Solutions Limited	Resigned
	Friends Life Limited	Resigned
	Friends Life Marketing Limited	Resigned
	Lancashire and Yorkshire Reversionary Interest Company Limited	Resigned
	Pacific Life Re Limited	Active
	Phoenix Life Assurance Limited	Active
	Phoenix AW Limited	Active
	Phoenix Life Limited	Active
	Undershaft FAL Limited	Resigned
	York University Pension Scheme	Active
Magwentshu-Rensburg, Sizeka Monica	Dusty Secret Services Investment Proprietary Limited	Active
	Findevco Proprietary Limited	Active
	Industrial Development Corporation	Active
	Khula Credit Guarantee SOC Limited	Resigned
	Manufacturing Engineering and Related Services SETA (MERSETA)	Active
	Tab Slots Proprietary Limited	Active
	Rensiza Business Partners Proprietary Limited	Active
	Small Enterprise Finance Agency Limited	Resigned
	Soft Wink Company Proprietary Limited	Active
	Ukwindla Investment Proprietary Limited	Active
Moholi, Nombulelo Thokozile	Anglo American Platinum Limited	Active
	Woolworths Holdings Limited	Active
Mokgosi-Mwantembe, Thoko Martha	Absa Bank Limited	Resigned
	Amatsha Energy Proprietary Limited	Resigned
	Aveng Grinaker LTA Holdings Proprietary Limited	Resigned
	Aveng Limited	Resigned
	Balwin Properties Limited	Active
	Batanai Holdings Proprietary Limited	Resigned
	Besaans Proprietary Limited	Active
	BFL Property Investments CC	Active
	CBI Electric Telecom Cables Proprietary Limited	Resigned
	CBRE GWS Facilities Management Proprietary Limited	Active



<b>Name</b>	<b>Directorships</b>	<b>Status</b>
Mokgosi-Mwantembe, Thoko Martha	CBU Electric Group	Resigned
	College Investment Trade and Invest Proprietary Limited	Resigned
	Dr Thandi Ndlovu Children's Foundation	Active
	Empowerment Capital Investment Partners Proprietary Limited	Active
	Imara Group Proprietary Limited	Resigned
	Imvuno Holdings Proprietary Limited	Resigned
	Inspired Techcomm Proprietary Limited	Resigned
	In 2 Food Group Proprietary Limited	Active
	In 2 Food Investments Proprietary Limited	Active
	In 2 Food Opportunity and Growth Proprietary Limited	Active
	In 2 Food Property Proprietary Limited	Resigned
	In 2 Juice Proprietary Limited	Resigned
	Jamani Property Investments CC	Active
	K2016160562 (South Africa) Proprietary Limited	Resigned
	K2016161085 (South Africa) Proprietary Limited	Resigned
	Kamoka Reserve Company Proprietary Limited	Active
	KGN Projects CC	Resigned
	Kimoware (RF) Proprietary Limited	Active
	Knorr-Bremse South Africa Proprietary Limited	Active
	Kutana Capital Proprietary Limited	Active
	Kutana Financial Services Proprietary Limited	Active
	Kutana Franchise Group Proprietary Limited	Resigned
	Kutana Industrial Proprietary Limited	Resigned
	Kutana Infrastructure Development Proprietary Limited	Resigned
	Kutana Investment Group Proprietary Limited	Resigned
	Kutana Property Group Proprietary Limited	Resigned
	Kutana Resources Proprietary Limited	Resigned
	Kutana Steel Proprietary Limited	Resigned
	Kutana Technology Proprietary Limited	Resigned
	Leafpebble Proprietary Limited	Resigned
	Luxanio Trading 172 (RF) Proprietary Limited	Active
	Middle Road Packers Proprietary Limited	Active
	Milane Farms Proprietary Limited	Resigned
	Mintails Mining SA Proprietary Limited	Resigned
	OGH	Active
	Outpane Investments Proprietary Limited	Resigned
	Royal Bafokeng Platinum Limited	Active
	Singabakhi Holdings Proprietary Limited	Resigned
	Smollan Group SA Proprietary Limited	Active
	Spoonful of Sugar Holdings Proprietary Limited	Active
	Spring Valley Foods Proprietary Limited	Resigned
	Stone And Thoko Business Enterprises CC	Resigned
	Storage Technology Services Proprietary Limited	Active
	Swift Industrial Proprietary Limited	Active
	Swift Transvaal Proprietary Limited	Active
	Thopins Holdings Proprietary Limited	Resigned
	Thora Trading CC	Resigned
	TNL Investment Proprietary Limited	Active
	Vodacom Group Limited	Active
	Vutista Group Proprietary Limited	Resigned
	XPert Holding Proprietary Limited	Resigned

<b>Name</b>	<b>Directorships</b>	<b>Status</b>
Molope, Carol Winifred Nosipho	Andulela Investment Holdings	Resigned
	Akula Trading 280 Proprietary Limited	Active
	Engen Limited	Active
	Fuzisign Proprietary Limited	Active
	Illovo Sugar Limited	Resigned
	MTN Business Solutions Proprietary Limited	Resigned
	MTN Cameroon Limited	Resigned
	MTN Rwandacell S.A.R.L	Active
	MTN Service Provider Proprietary Limited	Resigned
	MTN South Africa Proprietary Limited	Active
	MTN South Sudan Limited	Resigned
	MTN Uganda Limited	Active
	MTN Zambia Limited	Active
	Nampak Limited	Active
	South32 Coal Holdings Proprietary Limited	Active
	Swazi MTN Limited	Active
	The Bidvest Group Limited	Active
	Toyota Financial Services South Africa Limited	Resigned
	Wesizwe Platinum Limited	Resigned
Mwangi, James Irungu	African Leadership Institute in South Africa Proprietary Limited	Resigned
	Catalyst for Growth	Active
	Clinton Global Initiative	Resigned
	Dalberg Group	Active
	DBG RSA Holdings	Active
	One Acre Fund	Active
	World Economic Forum	Active
Sehoole, Ignatius Simon	AFGRI Limited	Resigned
	African Bank Holdings Limited	Active
	Capim Proprietary Limited	Active
	Cutting Edge Consulting Proprietary Limited	Active
	Gold Fields Operations Limited	Resigned
	Harith General Partners Proprietary Limited	Resigned
	Mojaki Enterprise Proprietary Limited	Active
	Molly's Food Enterprise Proprietary Limited	Resigned
	Oltio Holdings Proprietary Limited	Resigned
	Pareto Limited	Resigned
	Public Investment Corporation SOC Limited	Resigned
	Residual Debt Services Limited	Active
	Sacoil Holdings Limited	Active
	Sesana Property Services Proprietary Limited	Active
	Stand163000 Jansen Park Proprietary Limited	Active
	Temothuo Bathong Proprietary Limited	Active
Van Graan, Stewart William	Allied Electronics Corporation Limited	Active
	Christel House South Africa NPC	Active
	Dell Computer Proprietary Limited	Resigned
	Khulisa Academy Proprietary Limited	Resigned
	South African Bankers Services Company (BankServe) Proprietary Limited	Active
De Beyer, Peter Gerard	Autumn Skies Trading 306 CC	Resigned
	Iridium Private Equity Proprietary Limited	Active
	Oceana Group Limited	Active
	Real People Investment Holdings Proprietary Limited	Active
	Think Direct Proprietary Limited	Active
	Western Province Regional Racing Association NPC	Resigned

<b>Name</b>	<b>Directorships</b>	<b>Status</b>
Naidoo, Vassi	Global Financial and Advisory Services	Active
	Liquid Telecommunications Holdings Limited	Active
	The Cynodon Trust	Active
	The Morningside Trust	Active
	WWF Green Trust	Active
Rapiya, Bahleli Marshall	Sea Harvest Group Limited	Active
<b>Senior Management</b>		
Moyo, Mthandazo Peter	See above.	
Johnson, Ingrid Gail	See above.	
Baepi, Joel Motsweng	None	
Berelowitz, Raymond Barnett	Co-Props 48 Proprietary Limited	Active
Buenfil, David Ivan	None	
Lee, Vuyolwethu Seanele Maisela	Carecross Health Proprietary Limited	Resigned
	Methealth Proprietary Limited	Resigned
	Metropolitan Health Corporate Proprietary Limited	Resigned
	Metropolitan Health Proprietary Limited	Resigned
	Metropolitan Health Risk Management Proprietary Limited	Resigned
	MMI Foundation NPC	Resigned
	MMI Health Proprietary Limited	Resigned
	MMI Short Term Insurance Administration Proprietary Limited	Resigned
	Momentum Alternative Insurance Limited	Resigned
	Momentum Healthcare Distribution Proprietary Limited	Resigned
	Momentum OCSA Proprietary Limited	Resigned
	Momentum Short Term Insurance Company Proprietary Limited	Resigned
	Momentum Structured Insurance Limited	Resigned
	Onecare Health Proprietary Limited	Resigned
	Providence Healthcare Risk Managers Proprietary Limited	Resigned
	Providence Risk Managers Proprietary Limited	Resigned
	The South African Insurance Association NPC	Resigned
	Workerscare Proprietary Limited	Resigned
Macready, David	None	
Morule, Karabo	Accessio Business Trade Company	Active
	Emerging Alliances Traders	Active
	Sechaba Medical Solutions	Active
	SMS International	Active
	Wonder Trade And Invest	Active
	Yoco Investor Company	Resigned
	Yoco Technologies	Resigned
Mushosho, Jonas	None	
Nethengwe, Clarence Tsakani	None	
Treagus, Richard Graham	None	
Wilken, Johannes Willem	1 Life Insurance (RF)	Resigned
	Abagold	Active
	Aegis HSB-EL	Active
	Auto & General Computer Services	Active

Name	Directorships	Status
	Auto and General Insurance Company	Resigned
	Budget Insurance Company (RF)	Resigned
	Business Asset Rental	Resigned
	Breadbin Interactive	Active
	Chabula's Funeral Directors	Active
	Charter Wrapmaster	Active
	Comanche Investments	Active
	Crocker Grobbelaar	Active
	Dashpay	Resigned
	Dial Direct Insurance RF	Resigned
	Digital Comparison Services	Resigned
	Direct Integrated Systems Corporation SA	Active
	Douw Steyn Properties	Resigned
	Elected Investments	Resigned
	First Africa Warehouse	Active
	First For Women Insurance Company (RF)	Resigned
	Gordian Investments	Active
	Granite Memorials	Active
	Hippo Comparative Services	Resigned
	IM-Wes	Active
	I S Services	Resigned
	J A Hobkirk	Active
	Kevsar Investments	Active
	Motowise	Resigned
	Napier Gardens	Resigned
	National Repair Managers	Active
	No 1 Queens Road Property	Resigned
	Saxon Hotel	Resigned
	Shambala Game Reserve	Resigned
	Shambala Management Company	Active
	SMSWeb	Active
	SMSWeb Properties	Active
	Steyn City Properties	Resigned
	T H Vermooten en Zonen	Active
	Technical and Special Acceptances	Active
	Telesure Group Services	Resigned
	Telesure Investment Holdings	Resigned
	The Infinite Archive	Active
	Unity Financial Services	Resigned
	Unity Insurance Holdings	Active
	Upstream Advertising	Resigned
Williamson, Iain George	None	
<b>Directors of OMLACSA</b>		
Baloyi, Paul Cambo	See above	
De Beyer, Peter Gerard	See above	
Essien, Albert Kobina	See above	
Kgaboesele, Itumeleng	See above	

Name	Directorships	Status
Lister, John Robert	See above	
Magwentshu-Rensburg, Sizeka Monica	See above	
Manuel, Trevor Andrew	See above	
Moholi, Nombulelo Thokozile	See above	
Mokgosi-Mwantembe, Thoko Martha	See above	
Molope, Carol Winfred Nosipho	See above	
Moyo, Mthandazo Peter	See above	
Rapiya, Bahleli Marshall	See above	
Sehoole, Ignatius Simon	See above	

Other than as outlined above, no partnerships were held by any of the Directors, directors of the Major Subsidiary or Senior Management during the past 5 years.

## 2. Contracts Relating to Directors and Senior Management

The material terms of the service agreements with the Executive Directors and members of the Senior Management team are set out below. Summaries of these service agreements are available for inspection as set out in "Documents available for inspection". These agreements are generally in accordance with the market standards and are terminable on notice. The non-executive Directors have no fixed term of appointment, save for rotation of Directors as required by the Company MOI.

Name	Notice period	Restraint
<b>Directors</b>		
Moyo, Mthandazo Peter	6 months	6 months
Johnson, Ingrid Gail	12 months	12 months
Troskie, Casparus Gerhardus	6 months	6 months
<b>Senior Management</b>		
Baepi, Joel Motsweng	3 months	–
Berelowitz, Raymond Barnett	3 months	–
Buenfil, David Ivan <sup>(1)</sup>	6 months	–
Chinaka, Clement	3 months	–
Lee, Vuyolwethu Seanele Maisela	3 months	–
Macready, David <sup>(2)</sup>	3 months	–
Morule, Karabo	3 months	–
Mushosho, Jonas	3 months	–
Nethengwe, Clarence Tsakani	3 months	–
Treagus, Richard Graham	3 months	–
Wilken, Johannes Willem	No notice period	–
Williamson, Iain George	3 months	–

### Notes:

- David Buenfil will receive the higher amount of either 12 months annual basic salary or the amount calculated under the prevailing Mexican employment law for termination of office following a redundancy.
- In terms of an agreement concluded with David Macready, it was agreed that, in the event of his early retirement, and conditional upon appointment and on-boarding of an appropriate successor, he will be eligible for a termination payment in addition to the standard provisions applicable to early retirement.

No activities are performed by the Directors, directors of the Major Subsidiary and/or the members of Senior Management outside of the Group that are significant to the Group.

Each of the Executive Directors' and the Senior Management's service agreements terminate on the normal date of retirement as defined by the applicable retirement fund, being 61 years of age.

Other than as set out in this Annexe 9 and the statutory compensation to which a Director or Senior Manager may be entitled, the Directors and/or Senior Managers are not entitled to receive any benefits (including but not limited to monetary compensation) from the Company or any other company in the Group for loss of office.

All other terms and conditions are governed by the applicable human resource policies and local governing employment law, including, but not limited to, in South Africa certain provisions of the South African Basic Conditions of Employment Act, 75 of 1997 (as amended).

The dates upon which the respective service agreements were entered into are:

<b>Name</b>	<b>Date of service agreement</b>
<b>Directors</b>	
Moyo, Mthandazo Peter	31 March 2017
Johnson, Ingrid Gail	14 May 2014
Troskie, Casparus Gerhardus	28 December 2017
<b>Senior Management</b>	
Baepi, Joel Motsweng	27 October 2010
Berelowitz, Raymond Barnett	23 July 2010
Buenfil, David Ivan	9 November 2012
Chinaka, Clement	12 December 2014
Lee, Vuyolwethu Seanele Maisela	25 January 2017
Macready, David	2 March 2015
Morule, Karabo	10 December 2015
Mushosho, Jonas	21 August 2012
Nethengwe, Clarence Tsakani	8 February 2017
Treagus, Richard Graham	15 September 2016
Wilken, Johannes Willem <sup>(1)</sup>	20 September 2016
Williamson, Iain George	7 September 2016

1. Date of signature of Old Mutual Direct Holdings Proprietary Limited shareholder agreement.

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## COMPANY SHARE PLANS

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### Long-Term Incentive Plan and the Employee Share Ownership Plans

#### 1. Introduction

The Company Share Plans comprise the employee share ownership plan ("ESOP") and the long-term incentive plan ("LTIP") adopted by the Company.

The Company has adopted the Company Share Plans for the following reasons, among others:

- to attract, retain and reward Eligible Employees (as defined in Annexe 18 to this Pre-listing Statement) by granting them Awards (as defined in Annexe 18 to this Pre-listing Statement);
- to provide Eligible Employees with the opportunity to share in the success of the Group and to be incentivised to deliver the business strategy over the long-term; and
- to achieve closer alignment between the Eligible Employees and Shareholders.

The salient features of the Company Share Plans are detailed below.

#### 2. Categories of Awards

The following categories of Awards can be made under the Company Share Plans: a Forfeitable Share Award, a Conditional Share Award, a Forfeitable Phantom Award or a Conditional Phantom Award (as defined in Annexe 18 to this Pre-listing Statement).

#### 3. Participants

The persons eligible to participate in the Company Share Plans (ie Eligible Employees), includes any person holding permanent salaried employment or office with the Group, but excluding (i) a non-executive Director who does not hold permanent salaried employment with the Group and (ii) unless the JSE agrees otherwise, a Trustee.

Participation in the Company Share Plans is at the discretion of the Remuneration Committee and is not a condition of employment within the Group.

#### 4. Rights of Participants

##### 4.1 Forfeitable Share Awards

In relation to Forfeitable Share Awards, a Participant (as defined in Annexe 18 to this Pre-listing Statement) will, save as otherwise provided in the Company Share Plans, be the beneficial owner of each Ordinary Share forming the subject matter of that Award from the Acceptance Date (as defined in Annexe 18 to this Pre-listing Statement) until Settlement (as defined in Annexe 18 to this Pre-listing Statement).

The Ordinary Shares forming the subject matter of a Forfeitable Share Award will be registered in the name of the Trust (as defined in Annexe 18 to this Pre-listing Statement) until Settlement. However, as beneficial owner thereof, Participants in Company Share Plans are entitled during this period to receive the benefit of any Ordinary Distributions made thereon (less any withholding taxes). To the extent the JSE Listings Requirements or the JSE permit the votes attaching to Ordinary Shares held by the Trust to be exercised, the Trustees (as defined in Annexe 18 to this Pre-listing Statement) of that Trust shall determine the manner in which the votes shall be exercised, unless the Remuneration Committee determines otherwise.

Participants in the Company Share Plans will not have the right to participate in:

- Special Distributions (as defined in Annexe 18 to this Pre-listing Statement) declared by the Company; or
- repurchases by the Group of Ordinary Shares,

unless (and then on such terms as may be) otherwise determined by the Remuneration Committee.

Subject to the clawback provisions of the LTIP, the relevant Participant will acquire full beneficial ownership of the Ordinary Shares upon and following Settlement.

## 4.2 Other Awards

In relation to Conditional Share Awards, prior to Settlement, a Participant will not have any rights, conditional or otherwise, in and to, the Ordinary Shares in relation to which the Award is granted.

In relation to Forfeitable Phantom Awards and Conditional Phantom Awards, a Participant will not at any time have any rights, conditional or otherwise, in and to or to acquire or subscribe for the Ordinary Shares in relation to which the Award is granted.

In relation to a Conditional Share Award or a Conditional Phantom Award, the Remuneration Committee may, in its discretion, and in relation to some or all Participants, provide for the payment by the Employer Company (as defined in Annexe 18 to this Pre-listing Statement), subject to Vesting, of a Dividend Equivalent (as defined in Annexe 18 to this Pre-listing Statement) in cash equal to the amount of Ordinary Distributions which the Participant would have received had s/he held Ordinary Shares as from Acceptance Date until Settlement, less applicable employee, withholding and other taxes. Such Dividend Equivalent will be paid as soon as reasonably practicable following the date on which an Award Vests ("Vesting Date").

In relation to a Forfeitable Phantom Award, the Employer Company will pay a Dividend Equivalent in cash as soon as reasonably practical after payment of an Ordinary Distribution with a record date falling at any time on or after the Acceptance Date but before Settlement.

A Dividend Equivalent shall not apply to:

- Special Distributions declared by the Company; or
- repurchases by the Group of Ordinary Shares,

unless (and then on such terms as may be) otherwise determined by the Remuneration Committee.

## 5. Basis of Awards and Award levels

The Remuneration Committee will, in its discretion:

- decide which Eligible Employees will be entitled to receive an Offer (as defined in Annexe 18 to this Pre-listing Statement), and what category of Awards, and what number of each category of Awards, will be Offered to them under the Company Share Plans;
- determine the total number of Ordinary Shares that will form the subject matter of Awards from time to time Offered to, and/or in relation to which Awards will from time to time be Offered to, Eligible Employees under the Company Share Plans; and
- determine the number of Ordinary Shares that will form the subject matter of a specific Award Offered to, and/or in relation to which an Award will be Offered to, an Eligible Employee, taking into consideration (as applicable) such Eligible Employee's total guaranteed pay, grade, terms of hire, performance determined in terms of the Company's performance management system, retention requirements, market benchmarks and/or such other factors as the Remuneration Committee is of the view should be taken into account.

For each Award, the Remuneration Committee will set Employment Conditions (as defined in Annexe 18 to this Pre-listing Statement) (and, in relation to Awards made in terms of the LTIP, also Performance Conditions (as defined in Annexe 18 to this Pre-listing Statement)) and Vesting Date(s) and will determine whether and to what extent Dividend Equivalents will be payable (in the case of Conditional Share Awards and Conditional Phantom Awards).

## 6. Vesting

An Award (or part thereof) will Vest (as defined in Annexe 18 to this Pre-listing Statement) in a Participant:

- on the date on which the Participant has fulfilled the Employment Condition (in terms of the ESOP); or
- the later of such date and the date on which the Remuneration Committee determines that (or the extent to which) the relevant Performance Condition(s) has/have been fulfilled (in terms of the LTIP).

If the Remuneration Committee is satisfied that a Performance Condition has not been fulfilled, the relevant Award, or the part of the relevant Award which was subject to fulfilment of that Performance Condition, shall not Vest and the relevant Award or that part thereof will be forfeited.

In the case of the LTIP, any Performance Condition(s) specified in terms of an Award Letter (as defined in Annexe 18 to this Pre-listing Statement) shall be objective, and may be varied or substituted by the Remuneration Committee should it determine, in its discretion, that such Performance Condition(s) are no longer appropriate, provided that the variation or substitution produces a fair measure of performance and is not materially less or materially more difficult to fulfil than the previous Performance Condition.



## **7. Disposals and encumbrances**

Save as provided for under “Cessation of employment” or “Change of Control” or pursuant to a forfeiture or as otherwise may be agreed by the Remuneration Committee or provided for in the Company Share Plans, Participants are not entitled to encumber or dispose of Ordinary Shares forming the subject matter of an Award (and all or any of the rights in, to or forming part of such Ordinary Shares or such Award), or their rights under any Award, from the Acceptance Date until Settlement.

## **8. Manner of Settlement**

All Share Settled Awards (as defined in Annexe 18 to this Pre-listing Statement) will be Settled by way of a delivery of Ordinary Shares.

All Phantom Awards are Settled in cash.

## **9. Limits and adjustments**

The maximum total number of Ordinary Shares which may be the subject of Share Settled Awards under (and over the duration of) the Company Share Plans and the Existing Restricted Plans (as defined in Annexe 18 to this Pre-listing Statement), regardless whether or not such Awards have Vested, shall be 250,000,000 Ordinary Shares, which represents approximately 5% of the number of Ordinary Shares that the Company anticipates will be in issue on the Admission Date (“Company Limit”).

Only Ordinary Shares issued by the Company, and Ordinary Shares held in treasury by subsidiaries, which are used to settle Share Settled Awards, will be included in determining whether the Company Limit has been reached. Ordinary Shares forming the subject matter of Share Settled Awards, which Awards do not, or to the extent to which they do not, Vest because of their forfeiture, will be excluded in calculating whether the Company Limit has been reached. Any Ordinary Shares already in issue which are acquired in Settlement of Share Settled Awards (other than Ordinary Shares held in treasury by subsidiaries) will also be excluded in calculating whether the Company Limit has been reached.

The maximum total number of Ordinary Shares which may be allocated to any one individual Participant under (and over the duration of) the Company Share Plans in respect of Share Settled Awards is 25,000,000 Ordinary Shares, which represents approximately 0.5% of the number of issued Ordinary Shares that the Company anticipates will be in issue on the Admission Date (“Individual Limit”). Ordinary Shares forming the subject matter of Share Settled Awards, which Awards do not, or to the extent to which they do not, Vest because they lapse, will be excluded in calculating whether the Individual Limit has been reached.

The Remuneration Committee shall, where applicable, adjust the Company Limit and the Individual Limit (without requiring the approval of Shareholders in a general meeting) in proportion to any sub-division or consolidation of the Ordinary Shares.

The Remuneration Committee may also adjust the Individual Limit to take account of a capitalisation issue, a special distribution, a rights issue or reduction in capital of the Company (all bearing the meanings they have in the JSE Listings Requirements). Such adjustment should either (i) entitle a Participant to receive the same proportion of the number of issued Ordinary Shares immediately after implementation of such event as that to which s/he was entitled immediately before implementation of such event or (ii) comply with such other criteria determined by the Remuneration Committee as are acceptable to the JSE (if and to the extent the JSE’s consent for those criteria is required).

As required by the JSE Listings Requirements the auditors, or other independent adviser acceptable to the JSE shall confirm to the JSE in writing that any adjustment made to the Company Limit or Individual Limit in terms of the Company Share Plans has been properly calculated on a reasonable and equitable basis, in accordance with the rules of the relevant Company Share Plan. An adjustment must be reported on in the Company’s financial statements for the year during which the adjustment is made.

The issuing of Ordinary Shares as consideration for an acquisition, for cash, or for a vendor consideration placing (all bearing the meanings they have in the JSE Listings Requirements), will not be regarded as circumstances that require any adjustment to the Company Limit or Individual Limit.

## **10. Consideration**

No consideration is payable by Participants in respect of the Offer or acceptance of Awards or in respect of or upon the Vesting or Settlement thereof. The costs incurred in the Settlement of Awards is borne by the relevant Employer Company, other than for taxes and transfer duties, which are borne by the relevant Participant.

## **11. Cessation of employment**

If a Participant’s employment ceases prior to Settlement due to resignation or dismissal on grounds of misconduct, proven poor performance, proven dishonest or fraudulent conduct or on any other basis justifying dismissal in law, on the basis of abscondment or for any other reason not covered by the so-called eligible termination provisions set out below, her/his right or conditional right to receive Ordinary Shares or payment of any amount in terms of the Company Share

Plans shall immediately lapse, and all of her/his Awards (other than those which have Vested and been Settled prior to termination of employment) shall immediately be forfeited, unless the Remuneration Committee determines otherwise in its discretion.

The LTIP provides that if a Participant's employment ceases prior to Vesting:

- due to death, a portion of her/his Award(s) that have not yet Vested shall Vest if (i) the relevant Performance Condition has been fulfilled or (ii) it is probable that the Performance Condition will be fulfilled. Such accelerated Vesting shall occur in relation to such proportion of the Unvested Award as *pro rate* to the portion of the Employment Period that has expired upon the date of cessation of employment; or
- due to retirement, retrenchment, ill-health, injury or disability, the Participant's Employer Company ceasing to be a member of the Group or the business in which the Participant is employed being transferred to an entity which is not a member of the Group, a portion of her/his Award(s) shall Vest on (and be determined as at) the originally scheduled Vesting Date if the relevant Performance Condition has been fulfilled. Such Vesting shall occur in relation to such proportion of the Unvested Award as *pro rate* to the portion of the Employment Period that has expired upon the date of cessation of employment.

The portion of an unvested Award that does not Vest will be forfeited, unless the Remuneration Committee determines otherwise in its discretion.

The ESOP provides that if a Participant's employment ceases prior to Vesting due to death, retirement, retrenchment, ill-health, injury or disability, the Participant's Employer Company ceasing to be a member of the Group or the business in which the Participant is employed being transferred to an entity which is not a member of the Group, her/his Award(s) that have not yet Vested shall Vest on the date of cessation of employment.

## 12. **Malus**

The Remuneration Committee may decide in its discretion at any time prior to Settlement to reduce the number of Ordinary Shares subject to an Award (including a Vested Award which has not yet, or to the extent it has not yet, been Settled), or the number of Ordinary Shares to which an Award relates (including such an unvested Award), in whole or in part if, in its reasonable opinion, any of the following circumstances ("Malus Events") apply (whether occurring before, during or after the financial year in which the Award was granted):

- (a) an Award being granted, and/or Vesting occurring, over a greater number of Ordinary Shares than would otherwise have been the case, due to:
  - the results or accounts or consolidated accounts of any company, business or undertaking in which the Participant who holds such Award worked or works or for which s/he was or is directly or indirectly responsible being materially incorrect or materially misleading;
  - the performance of any company, business or undertaking in which that Participant worked or works or for which s/he was or is directly or indirectly responsible having been misstated or based upon any material misrepresentation; or
  - any company, business or undertaking in which that Participant worked or works or for which s/he was or is directly or indirectly responsible having made a loss out of business written, due in whole or in part, to a failure to observe risk management policies in effect at that time; the Participant has committed an act of gross misconduct;
- (b) the Participant has committed an act of gross misconduct; or
- (c) the Participant has acted in a way which has damaged, or is likely to damage, the reputation of the Company or any member of the Group, or has brought, or is likely to bring, the Company or any member of the Group into disrepute in any way.

If the Remuneration Committee decides to reduce the size of any Award, all and any Awards held by the Participant at that time may be reduced and not solely the Award which is most closely related to the relevant Malus Event.

In addition to adjustments for Malus Events, the Remuneration Committee may also reduce the size of any Award, to recover any value which a Participant has received or may be entitled to receive under any other incentive plan operated by a member of the Group which (i) in the reasonable opinion of the Remuneration Committee, s/he should not have received or be entitled to receive (as appropriate) or (ii) would give effect to a clawback provision of any form contained in any incentive plan operated by any member of the Group.

## 13. **Clawback**

Under the LTIP only, if the Remuneration Committee is of the view that a Malus Event has occurred (including where Vesting has occurred in respect of a greater number of Ordinary Shares which would otherwise have been the case), it may decide at any time during the period from Settlement until the fifth anniversary of the Award Date (as defined in Annexe 18 to this Pre-listing Statement) that a Participant shall be subject to a clawback obligation where (a) above applies, in an amount equal to the net after tax additional value received by the Participant as a result thereof and, where (b) or (c) above applies, in an amount which the Remuneration Committee decides is appropriate.

The clawback obligation will, as directed by the Remuneration Committee, be discharged either by the Participant paying the clawback amount to the relevant Employer Company or through a reduction in present or future benefits to the Participant under the Company Share Plans or other incentive plan of the Group.

#### 14. Change of Control

If a transaction is proposed, or an agreement is entered into, which, subject to the fulfilment of the suspensive conditions to which that transaction or agreement is subject, will result in both: (i) a Change of Control of the Company; and (ii) the Ordinary Shares no longer being listed on the exchange on which the Company has its primary listing, (collectively, a "Trigger Event") and those suspensive conditions are thereafter fulfilled, then upon the date of such fulfilment ("Fulfilment Date"), the Awards which have at such time not yet Vested will either (A) partially Vest on, and with effect from, the Fulfilment Date, or (B) subject to agreement between the Company and the acquiring company, be rolled-over into shares or other rights in the acquiring company in accordance with the provisions below.

If sub-paragraph (A) applies, the portion of the unvested Award which will Vest will be such proportion of the Unvested Award as *pro rates* to the portion of the Employment Period that has expired upon the Fulfilment Date; provided that in relation to the LTIP no portion of the unvested Awards will Vest unless the Remuneration Committee has determined that it is probable that the relevant Performance Condition will be fulfilled. The portion of an unvested Award that does not Vest will be forfeited with effect from the Fulfilment Date, unless the Remuneration Committee determines otherwise in its discretion.

If sub-paragraph (B) applies, no accelerated Vesting will occur. Rather, the Awards that have not Vested will be converted into awards in respect of, or phantom awards linked to, the shares in the acquiring company and/or one or more other companies on terms determined by the Company and the acquiring company, provided that such conversion does not place a Participant in a materially less favourable position and provided further that, in respect of the LTIP, the Performance Conditions are varied or substituted in such a manner as is reasonable in the circumstances and produces a fair measure of performance and is not materially less or materially more difficult to fulfil than the previous Performance Condition(s).

If a Trigger Event occurs but: (i) there is no change in the person with ultimate Control (as defined in Annexe 18 to this Pre-listing Statement) of the Company; or (ii) at least 75% of the shares in the acquiring company are expected to be beneficially owned immediately after the Change of Control by the same persons who immediately before the Change of Control were beneficial owners of the Ordinary Shares, then, unless the Remuneration Committee determines otherwise in its discretion, unvested Awards will be treated *mutatis mutandis* as per sub-paragraph (B) above.

If a transaction is proposed, or an agreement is entered into, which will result in a Change of Control of the Company but not in the Ordinary Shares no longer being listed on the exchange on which Company has its primary listing then, upon such transaction or agreement becoming unconditional, the relevant unvested Awards will continue to be subject to the terms of the Award Letter unless the Remuneration Committee determines otherwise in its discretion prior to the Fulfilment Date:

- that all or a portion of all or any of the relevant unvested Awards shall be deemed to have Vested on, and with effect from, a date determined by the Remuneration Committee; and/or
- pursuant to an agreement between the Company and the acquiring company, to adjust the number of Awards or the number of Ordinary Shares subject to Awards or to which Awards relate, or to convert Awards into awards in respect of, or phantom awards linked to, shares in the acquiring company and/or one or more other companies provided that such conversion does not place a Participant in a materially less favourable position and provided further that, in respect of the LTIP, the Performance Conditions are varied or substituted in such a manner as is reasonable in the circumstances and produces a fair measure of performance and is not materially less or materially more difficult to fulfil than the previous Performance Condition(s).

#### 15. Variation in shares

In the event of:

- a capitalisation issue, rights issue, subdivision or consolidation of Ordinary Shares, the Company entering into a fundamental transaction (as contemplated in the Companies Act) or making a Special Distribution; or
- an event similar to any of these, which the Remuneration Committee in its discretion anticipates (i) might materially impact on the price at which Ordinary Shares trade and/or (ii) might materially impact the current or future value of any Award,

then, unless the relevant event is one contemplated under "Cessation of employment" or "Change of Control", the Remuneration Committee may, in its discretion, make an adjustment to (i) the number of Ordinary Shares forming the subject matter of each Forfeitable Share Award that has not (or to the extent it has not) Vested by the date of occurrence of the relevant event, or (ii) the number of Ordinary Shares to which the unvested part of any other Award relates or take such other action to place Participants in no worse a position than they were prior to the happening of the relevant event. In the case of a subdivision or consolidation, such adjustment should give the Participant an entitlement to an equivalent proportion of the issued Ordinary Shares as that to which the Award is presently subject.

A Conditional Share Award, a Conditional Phantom Award and a Forfeitable Phantom Award shall not entitle the Participant concerned to participate in a rights issue, a "claw back offer" (as defined in the JSE Listings Requirements) or a capitalisation issue. A Participant shall be entitled to participate in a rights issue, a "claw back offer" (as defined in the JSE Listings Requirements) and a capitalisation issue in relation to the Ordinary Shares forming the subject matter of her/his Forfeitable Share Awards.

## 16. Liquidation

If the Company is placed into provisional or final liquidation, or the Shareholders pass a resolution to wind-up OML, an Award which has not Vested (or to the extent it has not Vested) on the date of such event shall Vest on the date of such event, unless the Remuneration Committee determines otherwise in its discretion.

## 17. Amendments

The Remuneration Committee may alter or vary the rules of the Company Share Plans as it thinks fit in its discretion (including the adoption of a schedule governing participation in the Company Share Plan/s by Eligible Employees employed by the Group in jurisdictions other than South Africa), save that:

- the Remuneration Committee is not entitled to alter or vary the rules of the Company Share Plans in relation to existing Awards that have already been accepted or deemed to be accepted if such alteration or variation is to the disadvantage of existing Participants; and
- in the following instances no amendment may be made to the Company Share Plans without (i) the prior approval of the JSE and (ii) a resolution of the Shareholders approved by at least 75% of the voting rights exercised (excluding all the votes attached to all Ordinary Shares beneficially owned by persons as a result of the Vesting of Awards under the Company Share Plans who are existing Participants in the ESOP or the LTIP (as the case may be) and who may be impacted by the changes):
  - the category of persons who are eligible for participation in the Company Share Plans as envisaged in the definition of Eligible Employee;
  - the Company Limit and/or the Individual Limit;
  - the amount payable upon Vesting;
  - the voting, dividend, transfer and other rights attached to the Ordinary Shares forming the subject matter of Awards, including those arising on a liquidation of the Company;
  - the basis upon which Awards are made;
  - the treatment of Awards in instances of mergers, takeovers or corporate actions involving the Company (all bearing the meanings they have in the JSE Listings Requirements); and
  - the rights of Participants in respect of the Vesting of Awards in the event they cease to be Eligible Employees.

The Remuneration Committee may, however, make minor amendments to the Company Share Plans for ease of the administration of the Company Share Plans to correct patent errors, to comply with or take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable, taxation or regulatory treatment of the Company, any Employer Company or any present or future Participant, including the adoption of a schedule governing participation in the Company Share Plan/s by Eligible Employees employed by the Group in jurisdictions other than South Africa.

### ***Classification of Company Share Plans under the JSE Listings Requirements***

The Company Share Plans are share incentive schemes as contemplated in schedule 14 to the JSE Listings Requirements, and are accordingly subject to the provisions of that schedule. Shareholder approval has been obtained from the initial Shareholder, subject to the approval of Old Mutual plc Shareholders at the General Meeting, to issue Ordinary Shares, or to utilise Ordinary Shares held in treasury by subsidiaries, to Settle Share Settled Awards under the ESOP and LTIP, subject to the Company Limit. Share Settled Awards can also be settled through the purchase of Ordinary Shares on or off the open market.

## THE MAJOR SUBSIDIARY, ITS DIRECTORS, SUBSIDIARY UNDERTAKINGS AND STRATEGIC ALLIANCES

Unless expressly provided or indicated otherwise by the context, this section of this Pre-listing Statement has been prepared on the basis of the Group as it would have existed if the Second Scheme Effective Time had occurred on the Last Practicable Date. See "Listings Requirements Dispensations" in relation to the dispensation granted by JSE Limited in relation to the disclosure of information on Nedbank in this Pre-listing Statement.

### 1. The Major Subsidiary

#### 1.1 Incorporation of the Major Subsidiary

Name and registration number	Percentage ownership <sup>(1)</sup>	Date and place of incorporation	Issued ordinary share capital	Main business	Date of becoming subsidiary
1 Old Mutual Life Assurance Company (South Africa) Limited (registration number: 1999/004643/06)	100%	11/05/1999 South Africa	8,000,001	Life assurance	11 May 1999

**Note:**

1. The Company holds 100% of the issued ordinary share capital of the Major Subsidiary and the Dividend Access Trust holds 1 preference share in the issued capital of the Major Subsidiary.

The Tier 2 bonds issued by OMLACSA are listed on the JSE under share codes OML02, OML03, OML04, OML05, OML06, OML07, OML08, OML09 and OML10.

No person, other than the shareholders, holds any rights to enable such a person to vary the voting rights held in any subsidiary.

#### 1.2 Directors of the Major Subsidiary

The directors of the Major Subsidiary are set out in the table below:

Name, age and nationality	Occupation/function	Date of appointment as Director and term of office
Baloyi, Paul Cambo, 62, South African	Independent non-executive director	24/10/2017
De Beyer, Peter Gerard, 62, South African	Non-executive director	01/03/2012
Essien, Albert Kobina, 62, Ghanaian	Independent non-executive director	24/10/2017
Kgaboesele, Itumeleng, 46, South African	Independent non-executive director	24/10/2017
Lister, John Robert, 60, British	Independent non-executive director	24/10/2017
Magwentshu-Rensburg, Sizeka Monica, 59, South African	Independent non-executive director	24/10/2017
Manuel, Trevor Andrew, 62, South African	Independent non-executive director	24/10/2017
Moholi, Nombulelo Thokozile, 58, South African	Independent non-executive director	17/02/2014
Mokgosi-Mwantwembe, Thoko Martha, 57, South African	Independent non-executive director	24/10/2017
Molope, Carol Winfred Nosipho, 53, South African	Independent non-executive director	31/10/2012
Moyo, Mthandazo Peter, 55, South African	Executive director	01/06/2017
Rapiya, Marshall Bahleli, 65, South African	Non-executive director	18/02/2008
Sehoole, Ignatius Simon, 58, South African	Independent non-executive director	24/10/2017
Troskie, Casparus Gerhardus, 55, South African	Executive director	01/04/2017

The business address of each of the directors of the Major Subsidiary is c/o Mutualpark, Jan Smuts Drive, Pinelands, Western Cape, 7405.

## 2. Significant Subsidiary Undertakings

The Company is the parent company of the Group. The following table shows details of the Company's significant subsidiaries for the purposes of the UK Prospectus Rules. The issued share capital of each of these companies is fully paid and each will be included in the consolidated accounts of the Group.

Name	Nature of Business	Percentage Holding	Country of Incorporation
Old Mutual Group Holdings (SA) Proprietary Limited	Holding company	100	Republic of South Africa
AIVA Holding Group S.A	Holding company	100	Panama
Faulu Microfinance Bank Limited	Lending	67	Kenya
Old Mutual Insure Limited	Property & casualty	100	Republic of South Africa
Nedbank Group Limited <sup>1</sup>	Banking	53	Republic of South Africa
Nedbank Limited <sup>2</sup>	Banking	100	Republic of South Africa
Banco Único, SA	Banking	50	Republic of Mozambique
Old Mutual (Africa) Holdings Proprietary Limited	Holding company	100	Republic of South Africa
Old Mutual (Netherlands) B.V.	Holding company	100	Netherlands
Old Mutual Emerging Markets Limited	Holding company	100	Republic of South Africa
Old Mutual Finance Proprietary Limited	Lending	75	Republic of South Africa
Old Mutual Investment Group Proprietary Limited	Asset management	100	Republic of South Africa
Old Mutual Investment Group Holdings Proprietary Limited	Holding company	100	Republic of South Africa
Old Mutual Life Assurance Company (Namibia) Limited	Life assurance	100	Namibia
Old Mutual Life Assurance Company (South Africa) Limited	Life assurance	100	Republic of South Africa
Old Mutual Zimbabwe Limited	Life assurance	75	Zimbabwe
OM Group (UK) Limited	Holding company	100	England and Wales
OM Latin America Holdco UK Limited	Holding company	100	England and Wales
UAP Holdings Limited <sup>3</sup>	Holding company	61	Kenya

- Nedbank Group Limited is a publicly listed company, with its primary listing on the JSE.
- Nedbank Limited is a 100% subsidiary of Nedbank Group Limited. As at the Last Practicable Date, the Group's effective ownership is 53% of the issued capital of Nedbank.

## 3. Strategic Alliances

In certain regions and market segments, the Group operates its businesses through strategic alliances. In some jurisdictions, investing alongside strategic alliance partners may be required by regulation. The Strategic alliances allow for increased collaboration and also provide the Group with opportunities for distribution channel diversification; access to large customer bases to which it can market its offerings; and access to technology and related capabilities to more rapidly deploy innovative customer solutions. The strategic alliances are often conducted in joint ventures governed by, among others, shareholders agreements which include provisions relating to put options, call options, capital contributions, restraint and additional provisions which are customary for agreements of this nature. The most significant strategic alliances of the Group are in relation to Old Mutual Finance in which the Group has a 75% shareholding, UAP in which the Group has a 60.7% shareholding (the Group's shareholding will increase to 67% on exercise of the option as discussed below) and OMDH in which the Group has a 70% shareholding. In this regard:

- the Group and Business Doctor established 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 a 25% shareholding in Old Mutual Finance from Business Doctor for R1.1 billion. The Group has a call option to acquire the remaining 25% shareholding in Old Mutual Finance and Old Mutual Finance (Namibia) Proprietary Limited 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), whilst Business Doctor has a put option to sell its remaining 25% shareholding in Old Mutual Finance and Old Mutual Finance (Namibia) Proprietary Limited to the Group at market value under certain circumstances, inter alia in the event of a change of control within the Old Mutual plc Group (which will occur upon the Second Scheme Effective Time) 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).

- two significant minority anchor shareholders in UAP have the right to collectively put up to an aggregate 6% shareholding in UAP to the Group at any time before the third anniversary of the effective date of the UAP shareholders agreement (i.e. in September 2018), while the Group owns less than a 66.67% shareholding in UAP at a price determinable in accordance with the UAP shareholders' agreement. The exercise price of the minority anchor shareholders' put option at the Last Practicable Date is in the order of R400 million. On 5 April 2018, the minority anchor shareholders in UAP gave notice to the Group of the exercise of this put option, which will be subject to, and implemented in accordance with, the terms and conditions of the UAP shareholders' agreement, including the process and timing set out therein.
- The Group has a 70% interest in Old Mutual Direct Holdings Proprietary Limited ("OMDH"). Johannes Willem Wilken, a member of the Senior Management and acting CEO of Old Mutual Insure, together with 2 other persons ("360 Troy Partnership") hold a 30% minority interest in OMDH, through which the 360 Troy Partnership receives 30% of the Group's effective aggregate beneficial economic interest in iWyze. The Group has certain buy out rights to acquire this 30% shareholding in OMDH from the 360 Troy Partnership at market value, whilst the 360 Troy Partnership has a put option to sell its 30% shareholding in OMDH to the Group at market value if Old Mutual Insure sets up a competing business to iWyze (excluding the 360 Troy Partnership). The OMDH strategic alliance is in a start-up phase, with no significant value attributable to the put option held by the 360 Troy Partnership at the Last Practicable Date.

## PRINCIPAL IMMOVABLE PROPERTIES HELD OR OCCUPIED

Unless expressly provided or indicated otherwise by the context, this section of this Pre-listing Statement has been prepared on the basis of the Group as it would have existed if the Second Scheme Effective Time had occurred on the Last Practicable Date.

Details of the principal immovable properties held or occupied by the Company and its Major Subsidiary and existing and planned material tangible fixed assets of the Group are as follows:

Owner	Description	Extent	Title deed no.
OMCREAM <sup>(1)</sup>	Mutual Place, Sandown, Johannesburg, Portion 5 of Erf 660	6 509m <sup>2</sup>	T54343/2017
OMLACSA	Mutualpark, Pinelands, Cape Town, Erf 3078	138 198m <sup>2</sup>	T6936/1958

**Note:**

1. This property is owner-occupied. Old Mutual Corporate Real Estate Asset Management Proprietary Limited ("OMCREAM") leases the property to Emerging Markets. Emerging Markets subleases the property to various Group entities, including the Company and its Major Subsidiary.



## MATERIAL BORROWINGS AND MATERIAL INTER-COMPANY BALANCES

Unless expressly provided or indicated otherwise by the context, this section of this Pre-listing Statement has been prepared on the basis of the Group as it would have existed if the Second Scheme Effective Time had occurred on 31 December 2017.

### 1. Material Borrowings of the Group as at 31 December 2017

Details of the material borrowings of the Group as extracted from the Historical Financial Information of the Old Mutual plc Group at 31 December 2017 are set out below:

Description	Reason for borrowing and brief description	Effective date	Signature date	Amount	Interest rate(s)	Terms and conditions of repayment or renewal	Period of the borrowing	
1. Notes issued under the Old Mutual plc £5,000,000,000 Euro Note Programme listed on the LSE. The notes were allotted and issued to subscribers on the terms set out in their relevant base prospectus, drawdown prospectus and final terms. All of the notes are unsecured, subordinated, do not have any conversion rights and none of them are repayable within 12 months from the date of this Pre-listing Statement. Each note has a nominal value of £100,000, and no note was issued with a premium or discount to its nominal value. No assets were acquired, or are to be acquired, out of the proceeds from the issuances under the note programme. A total of £5,000,000,000 can be issued under the Euro Note Programme.								
1.1	£500,000,000 8% Subordinated Notes due 3 June 2021	For general corporate purposes	3 June 2011	1 June 2011	£340,884,000 (reduced from £500,000,000 on 24 November 2017 following an open market tender)	8%	Redeemable on 3 June 2021	10 years
1.2	£450,000,000 7.875% Subordinated Notes due 3 November 2025	For general corporate purposes	3 November 2015	30 October 2015	£60,842,000 (reduced from £450,000,000 on 24 November 2017 following an open market tender)	7.875%	Redeemable on 3 November 2025	10 years
2. OMLACSA R10,000,000,000 Unsecured Subordinated Callable Note Programme. The notes were allotted and issued to subscribers on the terms set out in the programme memorandum, as read with the applicable pricing supplement. All of the notes are unsecured, do not have any conversion rights and none of them are repayable within 12 months from the date of this Pre-listing Statement. Each note has a nominal value of R1,000,000,000, and no note was issued with a premium or discount to its nominal value. No assets were acquired, or are to be acquired, out of the proceeds from the note programme. A total of R10,000,000,000 can be issued under the unsecured subordinated callable note programme.								
2.1	R700,000,000 unsecured subordinated callable floating rate notes	For general corporate purposes.	27 November 2014	25 November 2014	R700,000,000 (700 notes)	3 month JIBAR plus 220 basis points (for the period 27 November 2014 to 27 November 2019) 3 month JIBAR plus 330 basis points (for the period 27 November 2019 to 27 November 2024)	Redeemable on 27 November 2024	10 years
2.2	R300,000,000 unsecured subordinated callable fixed rate notes	For general corporate purposes.	27 November 2014	25 November 2014	R300,000,000 (300 notes)	Fixed interest rate equal to 9.255% per annum (nominal annual compounded semi-annually)	Redeemable on 27 November 2024	3 years
2.3	R537,000,000 unsecured subordinated callable floating rate notes	For general corporate purposes.	19 March 2015	17 March 2015	R537,000,000 (537 notes)	3 month JIBAR plus 230 basis points (for the period 19 March 2015 to 19 March 2020) 3 month JIBAR plus 345 basis points (for the period 19 March 2020 to 19 March 2025)	Redeemable on 19 March 2025	4 years
2.4	R425,000,000 unsecured subordinated callable fixed rate notes	For general corporate purposes.	19 March 2015	17 March 2015	R425,000,000 (425 notes)	Fixed interest rate equal to 9.76% per annum payable semi-annually in arrear	Redeemable on 19 March 2025	10 years

Description	Reason for borrowing and brief description	Effective date	Signature date	Amount	Interest rate(s)	Terms and conditions of repayment or renewal	Period of the borrowing
2.5 R409,000,000 unsecured subordinated callable fixed rate notes	For general corporate purposes.	19 March 2015	17 March 2015	R409,000,000 (409 notes)	Fixed interest rate equal to 10.32% per annum payable semi-annually in arrear	Redeemable on 19 March 2027	11 years
2.6 R690,000,000 unsecured subordinated callable fixed rate notes	For general corporate purposes.	19 March 2015	17 March 2015	R690,000,000 (690 notes)	Fixed interest rate equal to 10.955% per annum payable semi-annually in arrear	Redeemable on 19 March 2030	15 years
2.7 R1,288,000,000 unsecured subordinated callable floating rate notes	For general corporate purposes.	14 September 2015	10 September 2015	R1,288,000,000 (1,288 notes)	3 month JIBAR plus 225 basis points (14 September 2015 to 14 September 2020) 3 month JIBAR plus 337.5 basis points (14 September 2020 to 14 September 2025)	Redeemable on 14 September 2025	10 years
2.8 R568,000,000 unsecured subordinated callable fixed rate notes	For general corporate purposes.	14 September 2015	10 September 2015	R568,000,000 (568 notes)	Fixed interest rate equal to 10.90% per annum payable semi-annually in arrear	Redeemable on 14 September 2027	11 years
2.9 R623,000,000 unsecured subordinated callable fixed rate notes	For general corporate purposes.	14 September 2015	10 September 2015	R623,000,000 (623 notes)	Fixed interest rate equal to 11.35% per annum payable semi-annually in arrear	Redeemable on 14 September 2030	15 years
2.10 R460,000,000 unsecured subordinated callable fixed rate notes	For general corporate purposes.	4 November 2015	2 November 2015	R460,000,000 (460 notes)	Fixed interest rate equal to 10.955% per annum payable semi-annually in arrear	Redeemable on 19 March 2030	14 years and 4 months
3. R5,250,000,000 revolving credit facility made available to K2013236459 Proprietary Limited (a wholly owned subsidiary of Emerging Markets) ("K2013236459") (as borrower) by Nedbank, FirstRand Bank Limited and The Standard Bank of South Africa Limited (as lenders). K2013236459's obligations under the facility are guaranteed by OMGH.  None of the loans have any conversion or redemption rights, and cash resources will be used to finance any repayments under the loans that are repayable within 12 months from the date of this Pre-listing Statement.	The facility is provided to K2013236459 in order for it to provide inter-company loans to OMLACSA, any other subsidiary of OMGH and other members of the Group in South Africa to use general corporate purposes.	18 December 2015	6 February 2015 (as amended on 18 December 2015)	R5,250,000,000	JIBAR plus 1.60%. Default Interest is charged at JIBAR plus 2% above the margin (ie JIBAR plus 3.60%).	This is a revolving credit facility and each loan (in whole or in part) made available is repayable at the end of its interest period (with an interest period being 3 months) and each loan required to be paid in full on the final maturity date.	The final maturity date in respect of each loan is the 3 <sup>rd</sup> anniversary of the "Effective Date" of the loan (ie the date upon which all conditions were fulfilled).
4. R4,500,000,000 (in aggregate) comprises of term debt (Facilities A and B) and revolving credit (Facility C) facility made available to Old Mutual Finance (RF) Proprietary Limited ("OMF") (as borrower) by ABSA, The Standard Bank of South Africa Limited, First Rand Bank Limited (acting through its Rand Merchant Bank division), Sanlam Life Insurance Limited (acting through its Sanlam Investment Management division), Sanlam Life Insurance Limited (acting through its Sanlam Capital Markets division) and Sanlam Investment Management Proprietary Limited (as lenders) and The Standard Bank of South Africa Limited (as facility agent and arranger). OMF's obligations under the facility are guaranteed by Old Mutual Finance House 1 Proprietary Limited.  None of the loans have any conversion or redemption rights, and cash resources will be used to finance any repayments under the loans that are repayable within 12 months from the date of this Pre-listing Statement.	The facility is provided to OMF primarily in order for OMF to repay existing indebtedness owed to the lenders under credit facility agreements entered into between OMF and the lenders in 2014 and 2015.	1 August 2017	1 August 2017	R4,500,000,000	JIBAR plus the applicable margin (2.75% for Facility A and B, 2.50% for Facility C). Default Interest is charged at JIBAR plus 2% above the applicable margin.	Facility A and Facility B are term and Facility C is a revolving credit facility. Each term loan is required to be paid in full on the final maturity date for that loan and each revolving loan (in whole or in part) made available is repayable at the end of its interest period (with an interest period being 3 months) and each revolving loan required to be paid in full on the final maturity date for that loan.	The final maturity date in respect of Facility A is 10 July 2018, Facility B is 4 August 2020, Facility C is 4 August 2019.

## 2. Material Inter-Company Balances Of The Group As At 31 December 2017

Details of inter-company balances of the Group as at 31 December 2017 are as follows:

Description of the master loan agreement	Reason for the loans advanced and brief description	Effective date of the master loan agreement	Total amount available under the master loan agreement	Amount outstanding under the master loan agreement as at 31 December 2017	Interest rate(s) of the loans under the master loan agreement	Period of the loans under the master loan agreement
1. Master loan agreement entered into between Old Mutual Capital Holding (as borrower) and OMLACSA (as lender), as amended. All of the loans are unsecured, do not have any conversion or redemption rights, and cash resources will be used to finance any repayments of loans that are repayable within 12 months of this Pre-listing Statement.	For general corporate purposes.	29 November 2012	None stipulated. Funds are advanced under separate loans from time to time. Loans are extended in the form of a (i) term loan (ie payable on its specified maturity date); (ii) breakable term loan (ie callable by the lender on a date earlier than the specified maturity date); or (iii) callable loans (ie no specified maturity date and repayable upon written demand by the lender).	R5,953,264,470	Various, between 3 month JIBAR plus 250 basis points and 3 month JIBAR plus 295 basis points.	Various, the period of the term loans and the breakable term loans vary between 6 months and 3 years.
2. Master loan agreement entered into between OMSFIN (as borrower) and OMLACSA (as lender), as amended. All of the loans are unsecured, do not have any conversion or redemption rights, and cash resources will be used to finance any repayments under the loans that are repayable within 12 months from the date of this Pre-listing Statement.	For general corporate purposes.	23 October 2008	None stipulated. Funds are advanced under separate loans from time to time. Loans are extended in the form of a (i) term loan (ie payable on its specified maturity date); (ii) breakable term loan (ie callable by the lender on a date earlier than the specified maturity date); or (iii) callable loans (ie no specified maturity date and repayable upon written demand by the lender).	R10,752,482,149	Various, between 3 month JIBAR plus 100 basis points and 3 month JIBAR plus 400 basis points.	Various, the period of the term loans and the breakable term loans vary between 3 months and 3 years.
3. Master loan agreement entered into between Old Mutual Capital Holding (as borrower) and OMF (as lender), as amended. All of the loans are unsecured, do not have any conversion or redemption rights, and cash resources will be used to finance any repayments under the loans that are repayable within 12 months from the date of this Pre-listing Statement.	For general corporate purposes.	23 October 2008	None stipulated. Funds are advanced under separate loans from time to time. Loans are extended in the form of a (i) term loan (ie payable on its specified maturity date); (ii) breakable term loan (ie callable by the lender on a date earlier than the specified maturity date); or (iii) callable loans (ie no specified maturity date and repayable upon written demand by the lender).	R4,937,990,736	Various, between 3 month JIBAR plus 100 basis points and 3 month JIBAR plus 400 basis points.	Various, the period of the term loans and the breakable term loans vary between 3 months and 3 years.

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## EXTRACTS FROM THE COMPANY MOI AND THE MEMORANDUM OF INCORPORATION OF THE MAJOR SUBSIDIARY

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For a full appreciation of the provisions of the Company MOI, Shareholders are referred to the full text of the Company MOI, which is available for inspection, as set out in "Documents available for inspection".

### 6. Powers of the Company

- 6.1 The Company has all of the legal powers and capacity contemplated in the Act, and no provision contained in this Memorandum of Incorporation should be interpreted or construed as negating, limiting, or restricting those powers in any way whatsoever.
- 6.2 To the extent that the Act or the Listings Requirements require a company to be expressly authorised by its Memorandum of Incorporation to do anything, the Company is, by this provision, conferred with the requisite authority to do so, subject to any express limitations set out in this Memorandum of Incorporation.

### 8. Shares

- 8.1 As at the date upon which this Memorandum of Incorporation is filed, the Company is authorised to issue the following number and classes of Shares (which include Shares already in issue at any time): 10,000,000,000 (ten billion) Ordinary Shares of no par value, each of which rank *pari passu* in all respects.
- 8.2 Each of the Ordinary Shares of the Company entitles a Shareholder to the right to be entered into the Securities Register as the registered holder of that Ordinary Share and:
  - 8.2.1 the right to vote on any matter to be decided by the holders of Ordinary Shares in the Company and to 1 (one) vote in the case of a vote by means of a poll;
  - 8.2.2 the right, in person or by proxy, to attend, participate in, and speak at any meeting of the holders of Ordinary Shares in the Company;
  - 8.2.3 subject to such preferences as may be accorded to the classes of Shares in the Share capital from time to time, the right to participate proportionally in any distribution made by the Company in respect of the Ordinary Shares;
  - 8.2.4 subject to such preferences as may be accorded to the classes of Shares in the Share capital from time to time, the right to receive proportionally the total net assets of the Company remaining upon its liquidation; and
  - 8.2.5 any other rights attaching to the Ordinary Shares in terms of the Act or any other law,
 in each case in accordance with and subject to the further provisions of the Memorandum of Incorporation applicable to the Ordinary Share.
- 8.3 The Board may, subject to the FSR Act, the Listings Requirements and the further provisions of this clause 8.3, resolve to issue Shares of the Company at any time, but only within the classes and to the extent that those Shares have been authorised by or in terms of this Memorandum of Incorporation.
- 8.4 As regards the issue of Shares or Securities convertible into Shares, including options in respect thereof:
  - 8.4.1 that require the approval of a special resolution as contemplated in sections 41(1) and (3) or as contemplated in the Listings Requirements, the Directors shall not have the power to allot or issue same without the prior approval of a special resolution of the Shareholders;
  - 8.4.2 that require the approval of an ordinary resolution in terms of the Act or the Listings Requirements, the Directors shall not have the power to allot or issue same, without the prior approval of an ordinary resolution of the Shareholders;
  - 8.4.3 other than as contemplated in clauses 8.4.1 and 8.4.2, the Directors shall have the power to allot or issue same, without any Shareholder approval, provided that the JSE has granted the requisite consent to the listing of such Securities and such issue is made subject to the Listings Requirements, where applicable.
- 8.5 The Board shall have the authority, as contemplated in section 47, to:
  - 8.5.1 approve the issuing of any authorised Shares as capitalisation Shares on a pro rata basis to the Shareholders of one or more classes of Shares;
  - 8.5.2 issue Shares of one class as capitalisation Shares in respect of Shares of another class; or

- 8.5.3 resolve to permit Shareholders to elect to receive a cash payment *in lieu* of a capitalisation Share, provided that the Board may not resolve to do so unless it:
  - 8.5.3.1 has considered the solvency and liquidity test, as required by section 46, on the assumption that every such Shareholder would elect to receive cash; and
  - 8.5.3.2 is satisfied that the Company would satisfy the solvency and liquidity test immediately upon the completion of the distribution.
- 8.6 Notwithstanding section 38, or anything contained in this Memorandum of Incorporation to the contrary, Shareholders in general meeting may by ordinary resolution authorise the Directors to issue unissued equity Securities and to grant options to subscribe for unissued equity Securities as the Directors in their discretion may deem fit, provided that such corporate actions have been approved by the JSE (if necessary) and comply with the Listings Requirements and the Act, however, Shareholder approval will not be required in terms of this clause 8.6 for such issue unless it is required in terms of the Listings Requirements or the Act.
- 8.7 In the event that the Company proposes to issue any equity Securities (or options over equity Securities) other than (it being understood that each of the issues set out in paragraphs 8.7.1 to 8.7.10 shall not require Shareholders' approval, or further Shareholder approval, as applicable):
  - 8.7.1 Ordinary Shares issued in terms of options or conversion rights, provided that such options or conversion rights have been previously approved, to the extent necessary;
  - 8.7.2 Ordinary Shares issued in terms of a rights offer to be undertaken by the Company;
  - 8.7.3 Ordinary Shares to be held under an employee share scheme in terms of section 97, a share incentive scheme which complies with the provisions of Schedule 14 of the Listings Requirements or any other employee share option or incentive scheme, provided that such issue of Shares was previously approved, to the extent required;
  - 8.7.4 capitalisation Shares contemplated in section 47;
  - 8.7.5 Ordinary Shares issued pursuant to a scrip dividend, as contemplated by the Listings Requirements;
  - 8.7.6 Ordinary Shares issued for the acquisition of assets, as a vendor consideration placing directly or indirectly related to an acquisition of assets, or for the purposes of an amalgamation or merger;
  - 8.7.7 Ordinary Shares issued or to be issued as consideration for any assets, corporeal or incorporeal, or for services rendered;
  - 8.7.8 Ordinary Shares issued for cash pursuant to a general or specific approval given by the Shareholders in general meeting;
  - 8.7.9 the Share issue otherwise falls within a category in respect of which it is not, in terms of the Listings Requirements, a requirement for the relevant Shares to be so offered to existing Shareholders; or
  - 8.7.10 Ordinary Shares issued in accordance with an authority approved by ordinary Shareholders in general meeting,

each Shareholder of the Company already holding issued equity Securities in the class of equity Securities (or options for equity Securities where an offer for options shall be *pro rata* in the same way as an offer for equity Securities) proposed to be issued has the right, before any other person who is not a Shareholder of the Company of that class of equity Securities (or options for equity Securities), to be offered, on such terms and in compliance with such procedures as the Board may determine, to subscribe for, that number of the equity Securities (or options for equity Securities) proposed to be issued which in relation to the total number of equity Securities (or options for equity Securities) proposed to be issued bears the (as close as possible) same ratio (as determined by the Board) as the number of equity Securities in that class already registered in the Shareholder's name at the time of such offer bears to the then total number of issued equity Securities (or options for equity Securities) in that class, calculated at the time the offer was made, provided that if any entitlement to a fraction of an equity Security pursuant to such an offer arises, all allocations of Securities will be calculated in accordance with the prevailing Listings Requirements. After the expiration of the time within which an offer may be accepted, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the equity Security offered, the Directors may, subject to the foregoing provisions, issue such equity Security in such manner as they consider most beneficial to the Company. The Directors may exclude any Shareholders or category of Shareholders from an offer contemplated in this clause 8.7 if and to the extent that they consider it necessary or expedient to do so because of legal impediments or compliance with the laws or the requirements of any regulatory body of any territory, outside of South Africa, that may be applicable to the offer.

- 8.8 The provisions of clause 8.7 will apply *mutatis mutandis* to an issue of a class of authorised equity Securities which have not been issued, based on the percentage voting rights which that Shareholder has in relation to the aggregate general voting rights, calculated at the time the offer was made.
- 8.9 At all times whilst the Company's Shares are listed on the JSE, the Company shall not issue any Shares in terms of sections 40(5) to 40(7).

- 8.10 The Company may pay to any person:
  - 8.10.1 a commission for subscribing or agreeing to subscribe (whether absolutely or conditionally); or
  - 8.10.2 a brokerage for procuring or agreeing to procure subscriptions (whether absolutely or conditionally),
 for any Securities issued or to be issued by the Company, provided that, for so long as any Securities of the Company are listed on the JSE, any such commission or brokerage shall not exceed 10% (ten percent) of the consideration payable for such subscription.
- 8.11 Commission may be paid out of capital or profits, whether current or accumulated, or partly out of the one and partly out of the other.
- 8.12 Such commission may be paid in cash or, if authorised by the Company in general meeting, by the allotment of fully or partly paid-up Shares, or partly in one way and partly in the other.
- 8.13 The Board shall not have the power to:
  - 8.13.1 determine the preferences, rights, limitations or other terms of any Shares;
  - 8.13.2 increase or decrease the number of authorised Shares;
  - 8.13.3 consolidate and reduce the number of the Company's issued and authorised Shares of any class;
  - 8.13.4 subdivide the Company's Shares of any class by increasing the number of its issued and authorised Shares of that class without an increase of its capital; or
  - 8.13.5 convert any par value Shares into Shares not having a par value.
- 8.14 The Shareholders shall have the sole authority to undertake the following actions by a special resolution amending this Memorandum of Incorporation, namely to:
  - 8.14.1 increase or decrease the number of authorised but unissued Shares of any class;
  - 8.14.2 create any new class or classes of authorised Shares;
  - 8.14.3 determine the preferences, rights, limitations or other terms of any Shares;
  - 8.14.4 consolidate or subdivide (or both) any:
    - 8.14.4.1 authorised but unissued Shares of any class; and
    - 8.14.4.2 issued Shares of any class,
  - 8.14.5 convert any par value Shares into Shares not having a par value,
 provided that the Shareholders holding 75% (seventy-five percent) of the voting rights attaching to the issued Shares so consolidated or subdivided (prior to such consolidation or subdivision), approve that action in writing or by resolution and provided further that no par-value Shares may be subdivided;
- 8.14.6 reclassify any Shares that have been authorised but not issued;
- 8.14.7 classify any unclassified Shares that have been authorised but are not issued;
- 8.14.8 determine the preferences, rights, limitations and other terms of any Shares that have been authorised but not issued;
- 8.14.9 vary the preferences, rights, limitations and other terms of any issued or unissued Shares;
- 8.14.10 change the name of the Company;
- 8.14.11 convert any class of Shares into Shares of another class; and
- 8.14.12 convert any par value Shares to no par value Shares.
- 8.15 If the Shareholders act pursuant to the authority contemplated in clause 8.14, the Company must file a notice of amendment of this Memorandum of Incorporation in accordance with section 16(7).

## 19. Financial Assistance

The Board may authorise the Company to provide financial assistance in accordance with the provisions of sections 44 and 45, and the authority of the Board in this regard is not limited or restricted by this Memorandum of Incorporation.

## **20. The Company or a Subsidiary Acquiring the Company's Shares**

- 20.1 The Board may, with the approval of a special resolution of the Company's ordinary Shareholders, determine that:
  - 20.1.1 the Company will acquire a number of its own Shares; or
  - 20.1.2 a Subsidiary of the Company will acquire a number of Shares in the Company,subject to the provisions of section 48 and the Listings Requirements; provided that a pro rata repurchase by the Company of its Shares from all Shareholders will not require Shareholder approval other than in circumstances contemplated in clause 20.2.
- 20.2 A decision by the Board contemplated in clause 20.1:
  - 20.2.1 must be approved by a special resolution of the Shareholders if any Shares are to be acquired by the Company from a Director or Prescribed Officer of the Company; and
  - 20.2.2 is subject to the requirements of sections 114 and 115 if, considered alone or together with other transactions in an integrated series of transactions, it involves the acquisition by the Company of more than 5% (five percent) of the issued Shares of any particular class of the Company's Shares.

## **29. Composition and Powers of the Board of Directors**

- 29.1 The Board shall comprise not less than such minimum number of Directors as is required by the Act, the Listings Requirements and the FSR Act.
- 29.2 Subject to section 66(4)(b) and clause 29.5, the Company's ordinary Shareholders shall be entitled at a general meeting of the Company to elect all of the Directors of the Company (and their alternates) for the time being and from time to time, by a separate ordinary resolution with respect to each Director and each alternate; provided that (i) if the ordinary Shareholders do not elect an alternate with respect to any Director, the Board shall be entitled to appoint such alternate(s) and (ii) such alternate is not a person previously proposed to the ordinary Shareholders as an alternate or as a Director but who was not elected by the ordinary Shareholders when put to the vote.
- 29.3 A Director shall not be required to hold any Shares in the Company.
- 29.4 The Company's ordinary Shareholders shall have the right to nominate persons for appointment as Directors; provided that such right shall not include the right to appoint or remove any Director/s, and the appointment of all Directors shall be subject to ordinary Shareholder approval, as contemplated by the Listings Requirements.
- 29.5 Subject to section 66(4)(b), 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 this Memorandum of Incorporation) or (ii) as an addition to the Board (as contemplated in section 66(4)(a)(i)); provided that, such appointment must be confirmed by the Shareholders at the next annual general meeting of the Company (in accordance with clause 29.2).
- 29.6 Apart from satisfying the qualification and eligibility requirements set out in section 69 and the FSR Act, a person need not satisfy any further eligibility requirements or qualifications to become or remain a Director or a prescribed officer of the Company.
- 29.7 The elected Directors shall rotate in accordance with the provisions of this clause 29.7:
  - 29.7.1 at the first annual general meeting of the Company, all the elected Directors shall retire from office, and at each subsequent annual general meeting (or other general meeting held on an annual basis), one third of the non-executive Directors for the time being, or if their number is not 3 (three) or a multiple of 3 (three), the number nearest to one third, but not less than one third, shall retire from office; provided that the meeting is not conducted in terms of section 60. If an elected Director is appointed as chief executive officer, finance Director or as an employee of the Company in any other capacity, the contract under which he is appointed may provide that he shall not, while he continues to hold that position or office, be subject to retirement by rotation and he shall not, in such case, be taken into account in determining the rotation or retirement of Directors;
  - 29.7.2 the elected 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. Life directorships and directorships for an indefinite period shall not be permitted;
  - 29.7.3 a retiring Director shall act as a Director throughout the meeting at which he or she retires and may be re-elected, provided that such Director is eligible;

- 29.7.4 the Company, at the general meeting at which a Director retires in the above manner, or at any other general meeting, may fill the vacancy by electing a person thereto; or
- 29.7.5 if at any meeting at which an election of Directors ought to take place the offices of the retiring Directors are not filled, unless it is expressly resolved not to fill such vacancies, the meeting shall stand adjourned and the further provisions of this Memorandum of Incorporation, including clause 22.5 will apply *mutatis mutandis* to such adjournment, and if at such adjourned meeting the vacancies are not filled, the retiring Directors, or such of them as have not had their offices filled, shall be deemed to have been re-elected at such adjourned meeting.
- 29.8 The Directors may at any time and from time to time appoint any person or persons to act on behalf of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors in terms of this Memorandum of Incorporation) and for such period and subject to such conditions as the Directors may from time to time think fit and may from time to time vary or revoke any such appointment. Any such appointment may, if the Directors think fit, be made in favour of any company, the members, directors, nominees or managers of any company or firm, or otherwise in favour of any fluctuating body of persons, whether nominated directly or indirectly by the Directors. Any such agents as aforesaid may be authorised by the Directors to subdelegate all or any of the powers, authorities and discretions for the time being vested in them.
- 29.9 All acts performed by the Directors or by a committee of Directors or by any person acting as a Director or a member of a committee shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of the Directors or persons acting as aforesaid, or that any of them were disqualified from or had vacated office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of such committee.
- 29.10 The remaining Directors in office may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed in accordance with this Memorandum of Incorporation, they must as soon as possible and within 3 (three) months from the date that the number of Directors fell below the minimum, fill the vacancies or call a general meeting for that purpose. The failure by the Company to have the minimum number of Directors during the 3 (three) month period does not limit or negate the authority of the Board or invalidate anything done by the Board or the Company. After the expiry of the 3 month period the remaining Directors shall only be permitted to act for the purpose of filling vacancies or calling general meetings of Shareholders.
- 29.11 A Director may also hold any other office in the Company other than that of auditor, and may also hold office as director or manager of, or in any other capacity, in any other company in which the Company is a shareholder or is otherwise interested, and shall not be liable to account to the Company for any remuneration or other benefits receivable by him from such other company. The appointment of a Director in any other capacity in the Company and his remuneration must be determined by a disinterested quorum of Directors.

### 31. Directors' Compensation

- 31.1 Any Director who:
  - 31.1.1 serves on any executive or other committee; or
  - 31.1.2 devotes special attention to the business of the Company; or
  - 31.1.3 goes or resides outside the Republic for the purpose of the Company; or
  - 31.1.4 otherwise performs or binds himself to perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director,
 may, to the extent that any such payment does not constitute remuneration for his or her services as a Director as contemplated in sections 66(8) or (9), be paid such extra remuneration or allowances in addition to or in substitution of the remuneration to which he may be entitled as a Director, as a disinterested quorum of the Directors may from time to time determine.
- 31.2 The Directors may also be paid all their travelling and other expenses necessarily incurred by them in connection with:
  - 31.2.1 the business of the Company; and
  - 31.2.2 attending meetings of the Directors or of committees of the Directors of the Company.

### 34. Borrowing Powers

The Directors may from time to time exercise all of the powers of the Company to:

- 34.1 borrow for the purposes of the Company such sums as they think fit; and
- 34.2 secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of any Securities, mortgage or charge upon all or any of the property or assets of the Company.



## 38. Distributions

### 38.1 General

Subject to the provisions of the Act, and particularly section 46, and the FSR Act, the Board, or on the recommendation of the Board, the Company's ordinary Shareholders by ordinary resolution, may at any time make Distributions.

### 38.2 Distributions to Shareholders

38.2.1 This clause 38.2 shall apply to Distributions made to Shareholders on a class of Shares as envisaged in paragraph (a) of the definition of 'distributions' in the Act, and references in this clause 38.2 to "Distributions" shall be read accordingly.

38.2.2 Subject to the further provisions of this Memorandum of Incorporation (including clause 38.4) and save as otherwise authorised by law or the regulations of a securities exchange on which the relevant Shares are listed, Distributions to Shareholders of a class shall be declared in proportion to the number of Shares of the relevant class held by such Shareholders.

38.2.3 Distributions shall be declared payable to the relevant Shareholders registered as such on the record date with respect to such Distribution, determined in terms of clause 23, provided that such record date in the case of the payment of any Distribution shall be a date subsequent to the date of sanctioning of the Distribution or declaring the Distribution by the Board, whichever is the later.

38.2.4 Distributions payable in cash shall be declared in the currency of the Republic of South Africa. The Board may, in its discretion and on such terms and conditions as it may determine, authorise the payment of any Distribution to a non-resident Shareholder in any foreign currency requested by the non-resident Shareholder, at the cost, expense and risk of the non-resident Shareholder in question.

38.2.5 In the case where several persons are registered as the joint holders of any Shares, any one of such persons may give to the Company effective receipts for all or any Distributions and payments on account of Distributions in respect of such Shares.

38.2.6 Subject to clause 38.2.9, all cash Distributions, interest or other sums payable in cash to Shareholders shall be paid by electronic funds transfer or other electronic means, or as otherwise specified by the Board from time to time. Payment by any means into the bank account recorded in the Company's bank account register nominated by the Shareholder, or in the case of joint Shareholders into the bank account nominated by the Shareholder whose name stands first in the Securities Register in respect of the Share, shall discharge the Company of any further liability in respect of the amount concerned.

38.2.7 Every payment of a Distribution, interest or other sums made by electronic funds transfer shall be made at the risk of the Shareholders or joint Shareholders. The Company shall not be responsible for the loss or misdirection of any electronic funds transfer.

38.2.8 In respect of Distributions to Shareholders holding Securities listed on the JSE, payments to such Shareholders must be provided for in accordance with the Listings Requirements to the extent applicable and must not provide that capital shall be repaid on the basis that it may be called up again.

38.2.9 A Distribution may also be made and/or paid in any other way determined by the Directors, and if the directives of the Directors in that regard are complied with, the Company shall not be liable for any loss or damage which a Shareholder may suffer as a result thereof.

38.2.10 No Distribution shall bear interest against the Company, except as otherwise provided under the conditions of the issue of the Shares in respect of which such Distribution is payable.

38.2.11 Distributions unclaimed for a period of not less than 3 (three) years from the date on which such Distributions became payable by the Company may, at the discretion of the Board, be declared forfeit by the Board for the benefit of the Company. For the avoidance of doubt, all dividends shall be held by the Company in trust for the benefit of the Shareholders, until lawfully claimed by the relevant Shareholders, but subject to the provisions of this clause 38.2.11 and the laws of prescription from time to time, or until the Company is wound up.

38.2.12 Subject only to the provisions of any law to the contrary, Distributions may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be chargeable.

38.2.13 The Directors may from time to time declare and pay to the Shareholders such interim Distributions as the Directors consider appropriate.

38.2.14 Without detracting from the ability of the Company to issue capitalisation shares, any Distribution may be effected and/or paid wholly or in part:

38.2.14.1 by the distribution of specific assets; or

38.2.14.2 by the issue of Shares, debentures or Securities of the Company or of any other company; or

38.2.14.3 in cash; or

- 38.2.14.4 in any other way which the Directors or Company in general meeting may at the time of declaring the Distribution determine, including granting to the Company's ordinary Shareholders a right of election between receiving any Distribution in cash or in the form of the distribution of specific assets.
- 38.2.15 Where any difficulty arises in regard to any Distribution, the Directors may settle that difficulty as they think expedient, and in particular may fix the value which shall be placed on such specific assets on Distribution.
- 38.2.16 The Directors may:
- 38.2.16.1 determine that cash payments shall be made to any Shareholder on the basis of the value so fixed in order to secure equality of Distribution; and
- 38.2.16.2 vest any such assets in trustees upon such trusts for the benefit of the persons entitled to the Distribution as the Directors deem expedient.

#### 38.4 Dividend Access Trusts

- 38.4.1 Notwithstanding any notional calculation of Distributions due to Shareholders in the Company from time to time and in accordance with this clause 38, where any amount paid by way of dividend or other shareholder distribution ("**Dividend**") by one or more Subsidiaries of the Company to any Dividend Access Trust (or to any company associated with that Dividend Access Trust ("**Associated Company**")) is received (i) by such Dividend Access Trust or (ii) by any Associated Company in connection with the Dividend Access Arrangements, no distribution by the Company shall be due to any Shareholder of the Company pursuant to any Distribution declared in terms of this Memorandum of Incorporation, to the extent that such Shareholder is entitled to receive any amount from the Dividend Access Trust (whether directly or indirectly via such Associated Company).
- 38.4.2 Where amounts are received by a Dividend Access Trust and/or Associated Company in one currency and a Distribution is declared and/or authorised as payable by the Company under clause 38.2.4 in another currency, the amounts so received by the Dividend Access Trust and/or Associated Company shall, for the purposes of calculating the reduction required by clause 38.4.1, be converted into the currency in which the Company has declared and/or authorised the Distribution at such rate as the Directors shall consider appropriate.
- 38.4.3 For the purposes of clause 38.4.1, the amount which any Shareholder is entitled to receive from the Dividend Access Trust shall, irrespective of the fact that such amounts are not actually received by the Shareholder, be deemed to include:
- 38.4.3.1 any amount which the Dividend Access Trust may be compelled by law to withhold from that Shareholder in respect of any matter;
- 38.4.3.2 a *pro rata* share of any taxation which the Subsidiary and/or Associated Company declaring and paying the same is obliged to withhold or to deduct from the amount of any Dividends declared and/or paid by it to the Dividend Access Trust;
- 38.4.3.3 any taxation which the Dividend Access Trust is obliged to withhold or to deduct from any amount accrued and/or paid to the Shareholder in question or for which the Dividend Access Trust is liable in respect of any Dividend accrued to it and/or which it receives from the Subsidiary and/or Associated Company;
- 38.4.3.4 a *pro rata* share of any taxation which the Subsidiary paying any Dividend to the Dividend Access Trust and/or Associated Company is obliged to pay in respect of that Dividend (being an amount paid in addition to the Dividend), provided in this case that the Shareholder concerned is able to obtain a credit for such taxation in calculating the tax liability in respect of the Distribution (and/or amounts received by or accrued to it from the Dividend Access Trust) in the jurisdiction in which the Dividend Access Trust is established.
- 38.4.3.5 a *pro rata* share of any amount which the Associated Company may be compelled by law to withhold from the Dividend Access Trust in respect of any matter; provided in this case that the Shareholder concerned is directly or indirectly able to obtain a credit for such taxation in calculating the tax liability in respect of the Distribution (and/or amounts received by or accrued to it from the Dividend Access Trust) in the jurisdiction in which the Dividend Access Trust is established;
- 38.4.3.6 a *pro rata* share of any taxation which the Subsidiary declaring and paying the same is obliged to withhold or to deduct from the amount of any Dividends declared and/or paid by it to the Associated Company; provided in this case that the Shareholder concerned is directly or indirectly able to obtain a credit for such taxation in calculating the tax liability in respect of the Distribution (and/or amounts received by or accrued to it from the Dividend Access Trust) in the jurisdiction in which the Dividend Access Trust is established;
- 38.4.3.7 a *pro rata* share of any taxation (i) which the Associated Company is obliged to withhold or to deduct from any amount accrued and/or paid to the relevant Dividend Access Trust or (ii) for which the Associated Company is liable in respect of any Dividend accrued to it and/or which it receives from the Subsidiary; provided in each such case that the Shareholder concerned is directly or indirectly able to obtain a credit for such taxation in calculating the tax liability in respect of the Distribution (and/or amounts received by or accrued to it from the Dividend Access Trust) in the jurisdiction in which the Dividend Access Trust is established; and

38.4.3.8 a *pro rata* share of any taxation which the Associated Company paying any Dividend to the Dividend Access Trust is obliged to pay in respect of that Dividend (being an amount paid in addition to the Dividend); provided in this case that the Shareholder concerned is able to obtain a credit for such taxation in calculating the tax liability in respect of the Distribution (and/or amounts received by or accrued to it from the Dividend Access Trust) in the jurisdiction in which the Dividend Access Trust is established.

#### 40. Amendment of Memorandum of Incorporation

- 40.1 This Memorandum of Incorporation may only be altered or amended in the manner set out in the Act, read together with the Listings Requirements and the FSR Act and, to the extent applicable, any licencing conditions imposed on the Company.
- 40.2 While the Shares of the Company remain listed on the JSE, the Board must, prior to proposing any amendments for approval by the Company's ordinary Shareholders, submit any such proposed amendments to the Memorandum of Incorporation to the JSE for approval in accordance with the Listings Requirements.
- 40.3 If any proposed amendment to the Memorandum of Incorporation relates to the variation of any preferences, rights, limitations and other terms attaching to any other class of Shares already in issue, that amendment may not be implemented without a special resolution of the Shareholders in respect of Shares in that class at a separate meeting. In such instances, the Shareholders in respect of such Shares may also be allowed to vote at the meeting of the ordinary Shareholders, subject to the limitation on the voting rights recorded in clause 8.3 and paragraph 10.5(c) of Schedule 10 of the Listings Requirements. No resolution of Shareholders of the Company to amend the Memorandum of Incorporation which relates to the variation of any preferences, rights, limitations and other terms attaching to a class of Shares shall be proposed or passed, unless the amendment has been approved by a special resolution of the Shareholders of the Shares in that class.
- 40.4 Preferences, rights, limitations or other terms of any class of Shares must not be varied and no resolution may be proposed to the Company's Shareholders for such variation in response to any objectively ascertainable external fact or facts, as provided for in sections 37(6) and (7).

#### 43. The Nedbank Unbundling

- 43.1 In this clause 43, unless the context clearly indicates a contrary intention, the following words and expressions bear the meanings assigned to them in this clause 43 and cognate expressions bear corresponding meanings:
  - 43.1.1 "**Group**" means the Company including its subsidiaries from time to time;
  - 43.1.2 "**Listing Date**" means the date upon which the Company's Ordinary Shares are admitted to listing and trading on the main board of the exchange operated by the JSE;
  - 43.1.3 "**Listings Requirements**" means the listings requirements of the JSE (including any rulings made, and dispensation granted, by the JSE to the Company);
  - 43.1.4 "**Managed Separation**" means the managed separation of the four largely independent businesses within the Old Mutual plc Group as it existed at 11 March 2016;
  - 43.1.5 "**Mandatory Implementation Date**" means the first anniversary of the Listing Date;
  - 43.1.6 "**Nedbank**" means Nedbank Group Limited, incorporated and registered in South Africa with registration number 1966/010630/06;
  - 43.1.7 "**Nedbank Shares**" means ordinary shares in the issued share capital of Nedbank;
  - 43.1.8 "**Nedbank Unbundling**" has the meaning given to this term in clause 43.3 below;
  - 43.1.9 "**Old Mutual plc**" means Old Mutual plc, incorporated and registered in England and Wales with registered number 03591559, which shall be reregistered as a private limited company in due course;
  - 43.1.10 "**Old Mutual plc Group**" means Old Mutual plc including its subsidiaries and subsidiary undertakings from time to time
  - 43.1.11 "**Retained Nedbank Shares**" means such number of Nedbank Shares as constitutes 19.9% of the issued ordinary share capital of Nedbank at the date upon which the Nedbank Unbundling is implemented (in addition to any Nedbank Shares held by the Group for and on behalf of policy-holders, or through mutual funds managed by the Group, from time to time); and
  - 43.1.12 "**Unbundled Nedbank Shares**" means all of the Nedbank Shares held by the Group, the distribution of which to the Company's issued ordinary Shareholders will result in the Group, immediately after the implementation of the Nedbank Unbundling, holding only the Retained Nedbank Shares; provided that, notwithstanding anything to the contrary, the number of Nedbank Shares so distributed pursuant to the Nedbank Unbundling shall not be fewer than 149,000,000 Nedbank Shares.
- 43.2 If there is any conflict between this clause 43 and any other provision of this Memorandum of Incorporation, the provisions of this clause 43 shall prevail.

- 43.3 The final step in the Managed Separation entails the Company procuring the unbundling to its ordinary Shareholders of the Unbundled Nedbank Shares in accordance with this clause 43 ("**Nedbank Unbundling**").
- 43.4 The Company shall, subject to (i) all requisite regulatory and corporate consents and approvals required for the implementation of the Nedbank Unbundling having been obtained, (ii) compliance with all conditions imposed on or in respect of the Company by any applicable regulator and (iii) compliance with the Act and the Listings Requirements, be obliged to:
- 43.4.1 procure within the timeframe referred to in clause 43.4.3, to the extent that it is so able, that the relevant companies within the Group which hold Nedbank Shares make the necessary distributions *in specie* of the Unbundled Nedbank Shares such that the Company is able to implement the Nedbank Unbundling and the Group will, following the implementation of the Nedbank Unbundling, hold only the Retained Nedbank Shares;
- 43.4.2 within the timeframe referred to in clause 43.4.3, effect a distribution *in specie* of the Unbundled Nedbank Shares to its ordinary Shareholders at the relevant time in accordance with section 46 of the Act and the Listings Requirements; and
- 43.4.3 procure that the Nedbank Unbundling is implemented in its entirety at such time as the Board determines is appropriate, but no sooner than 3 months following the Listing Date and no later than the Mandatory Implementation Date; provided that if the Board has not implemented the Nedbank Unbundling by the Mandatory Implementation Date, the Board shall be obliged to procure the implementation of the Nedbank Unbundling with effect from that date (or, to the extent applicable, the first reasonably practicable business day thereafter upon which the Group is legally able to do so).
- 43.5 Subject to applicable law and regulation and clause 12 of this Memorandum of Incorporation:
- 43.5.1 if it is necessary or expedient to take any action because of legal impediments or compliance with the laws or the requirements of any regulatory body of any territory outside of South Africa that may be applicable to the Nedbank Unbundling; or
- 43.5.2 any other difficulty arises in connection with the Nedbank Unbundling in such territory,
- the Company is entitled to take such action or resolve such matter as the Directors in their discretion may deem fit; provided that in taking such action, the Directors shall give consideration to doing so in an orderly manner in respect of the Company's ordinary Shareholders and the Nedbank Shares. In particular, the Company may, as determined by the Directors in their discretion:
- 43.5.3 sell, or procure the sale of the Unbundled Nedbank Shares or fractional entitlements to the Unbundled Nedbank Shares, and:
- 43.5.3.1 remit all, or part of, such proceeds to ordinary Shareholders; and/or
- 43.5.3.2 in relation to fractional entitlements to Unbundled Nedbank Shares:
- 43.5.3.2.1 retain all, or part of, such proceeds for the benefit of the Company; and/or
- 43.5.3.2.2 donate all, or part of, such proceeds to a charity designated by the Directors in their discretion; or
- 40.4.4 ignore fractional entitlements to the Unbundled Nedbank Shares.

#### 44. Other listings

- 44.1 The Company's Securities or beneficial interests in relation to them may from time to time be listed and trading on securities exchanges and over-the-counter markets (each a "**Regulated Market**") in various jurisdictions. In this regard, notwithstanding anything in this Memorandum of Incorporation to the contrary, the Board shall be entitled to do, or cause to be done, all things necessary or desirable to ensure:
- 44.1.1 compliance with applicable law and regulation in such jurisdictions, including the listings requirements or rules of the applicable Regulated Market; and
- 44.1.2 that efficient and effective settlement mechanisms are in place and operating in the jurisdiction of such Regulated Market.
- 44.2 Subject to applicable law and regulation and the provisions of this Memorandum of Incorporation:
- 44.2.1 if it is necessary, expedient or desirable to take any action because of legal impediments or compliance with the laws or the requirements of any regulatory body of any jurisdiction outside South Africa that may be applicable to the Company or the holder of the Security; or
- 44.2.2 any other difficulty arises in connection with corporate actions to be undertaken by the Company in such jurisdiction,

the Company shall be entitled to take such action or resolve such matter as the Directors in their discretion may deem fit; provided that in taking such action, the Directors shall do so in an orderly manner.

## OMLACSA

### 11. Financial Assistance

The Board may, subject to the provisions of the Long-term Insurance Act, authorise the Company to provide financial assistance in accordance with the provisions of sections 44 and 45, and the authority of the Board in this regard is not limited or restricted by this Memorandum of Incorporation.

### 20. Composition and Powers of the Board of Directors

- 20.1 The Board shall comprise not less than 4 directors or such minimum number of directors as is required by the Act and/or the Long-term Insurance Act, whichever is the higher, and the shareholders shall be entitled to determine such maximum number of directors as they from time to time shall consider appropriate.
- 20.2 The directors shall be elected in terms of section 68(1) by the persons entitled to exercise voting rights in such an election, being the shareholders of the Company and the holders of any other securities of the Company to the extent that the terms on which such securities were issued confer such rights.
- 20.3 Until 1 (one) or more directors have been so elected, each incorporator of the Company shall, in terms of section 67(1), serve as a director of the Company. Where the Company was already incorporated at the effective date of the Act, every person holding office as a director, prescribed officer, company secretary or auditor of the Company immediately before the effective date of the Act will continue to hold that office.
- 20.4 For so long as a company which is a member of the Old Mutual Group holds a majority of the shares, OMSA shall be entitled from time to time to appoint such number of directors which is not a majority of the total number of directors of the Company and to remove, replace or fill any vacancy in such directors.
- 20.5 Apart from satisfying the qualification and eligibility requirements set out in section 69, a person need not satisfy any further eligibility requirements or qualifications to become or remain a director or a prescribed officer of the Company.
- 20.6 The elected directors shall rotate in accordance with the following provisions of this clause 20.6:
  - 20.6.1 at the first annual general meeting of the Company all the elected directors shall retire from office, and at each subsequent annual general meeting one third of the elected directors for the time being, or if their number is not 3 or a multiple of 3, the number nearest to one third, but not less than one third, shall retire from office, provided that if an elected director is appointed as chief executive officer or as an employee of the Company in any other capacity, the contract under which he is appointed may provide that he shall not, while he continues to hold that position or office, be subject to retirement by rotation and he shall not, in such case, be taken into account in determining the rotation or retirement of directors;
  - 20.6.2 the elected 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;
  - 20.6.3 a retiring director shall be eligible for re-election;
  - 20.6.4 the Company, at the general meeting at which a director retires in the above manner, or at any other general meeting, may fill the vacancy by electing a person thereto;
  - 20.6.5 if at any meeting at which an election of directors ought to take place the offices of the retiring directors are not filled, unless it is expressly resolved not to fill such vacancies, the meeting shall stand adjourned and the further provisions of this Memorandum of Incorporation, including clauses 14.7 and 14.8 will apply, *mutatis mutandis*, to such adjournment, and if at such adjourned meeting the vacancies are not filled, the retiring directors, or such of them as have not had their offices filled, shall be deemed to have been re-elected at such adjourned meeting.
- 20.7 The Board has the power to:
  - 20.7.1 fill any vacancy on the Board on a temporary basis, as set out in section 68(3) (and subject to section 70);
  - 20.7.2 appoint any person as a Director, either to fill a vacancy or as an additional appointment to the Board; and
  - 20.7.3 exercise all of the powers and perform any of the functions of the Company, as set out in section 66(1),and the powers of the Board in this regard are not limited or restricted by this Memorandum of Incorporation.
- 20.8 The Directors may at any time and from time to time appoint any person or persons to act on behalf of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors in terms of this Memorandum of Incorporation) and for such period and subject

to such conditions as the Directors may from time to time think fit and may from time to time vary or revoke any such appointment. Any such appointment may, if the directors think fit, be made in favour of any company, the members, directors, nominees or managers of any company or firm, or otherwise in favour of any fluctuating body of persons, whether nominated directly or indirectly by the directors. Any such agents as aforesaid may be authorised by the directors to subdelegate all or any of the powers, authorities and discretions for the time being vested in them.

- 20.9 All acts performed by the Directors or by a committee of Directors or by any person acting as a director or a member of a committee shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of the directors or persons acting as aforesaid, or that any of them were disqualified from or had vacated office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a director or member of such committee.
- 20.10 The directors in office may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed in accordance with this Memorandum of Incorporation, they may act only for the purpose of filling vacancies in their body in terms of section 68(3) or of summoning general meetings of the Company, but not for any other purpose.
- 20.11 A director may also hold any other office in the Company other than that of auditor, and may also hold office as director or manager of, or in any other capacity, in any other company in which the Company is a shareholder or is otherwise interested, and shall not be liable to account to the Company for any remuneration or other benefits receivable by him from such other company. The appointment of a director in any other capacity in the Company and his remuneration must be determined by a disinterested quorum of directors.

## **22. Directors' Compensation**

22.1 Any director who:

- 22.1.1 serves on any executive or other committee; or
- 22.1.2 devotes special attention to the business of the Company; or
- 22.1.3 goes or resides outside South Africa for the purpose of the Company; or
- 22.1.4 otherwise performs or binds himself to perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a director,

may, to the extent that any such payment does not constitute remuneration for his services as a director as contemplated in sections 66(8) or (9), be paid such extra remuneration or allowances in addition to or in substitution of the remuneration to which he may be entitled as a director, as a disinterested quorum of the Directors may from time to time determine.

22.2 The directors may also be paid all their travelling and other expenses necessarily incurred by them in connection with:

- 22.2.1 the business of the Company; and
- 22.2.2 attending meetings of the Directors or of committees of the Directors of the Company.

## MATERIAL CONTRACTS

The following contracts:

- are contracts, other than contracts entered into in the ordinary course of business, that have been entered into by the Company or a member of the Group (i) within the 2 years immediately preceding the date of this Pre-listing Statement and are material to the Company or any member of the Group or (ii) at any time and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is material to the Group as at the date of this Pre-listing Statement; or
- material contracts as contemplated in the JSE Listings Requirements entered into by the Company, its Major Subsidiary, or by any subsidiaries where such contracts are material to the Company, which contracts constitute material contracts as contemplated in the JSE Listings Requirements.

### 1. **Managed Separation Agreements**

#### 1.1 **Old Mutual plc Separation Agreement**

##### *Overview of the Old Mutual plc Separation Agreement*

On 12 April 2018, Old Mutual plc and Quilter plc entered into the Old Mutual plc Separation Agreement to set out the principal steps necessary to effect the Quilter plc Demerger and other provisions to govern certain aspects of Quilter plc's relationship with Old Mutual plc after the Quilter plc Demerger.

##### *Managed Separation steps*

Subject only to their fiduciary duties, each party has agreed to use all reasonable endeavours to the extent within its power and control to ensure that the reorganisation of the share capital of Quilter plc (as described in the Quilter plc Prospectus), the First Scheme, the Quilter plc Share Sale and all other necessary steps in connection with the Quilter plc Demerger and the Quilter plc Admission become effective as contemplated by, and in accordance with, the steps plan agreed between Old Mutual plc and Quilter plc and the timetable set out in the Scheme Circular.

##### *Non-solicitation*

The parties have agreed that they shall not, for a period of 2 years from the date of the Quilter plc Demerger, solicit or endeavour to entice away, employ or offer to employ, without the prior written consent of the other, any key employee of the other's group.

##### *Allocation of liabilities and wrong pockets*

Subject to any allocation of liabilities provisions contained in the other Separation Agreements, following the Quilter plc Demerger: (i) any liability that arises in a company in the Group owing to a third party shall remain with that company unless such liability principally relates to a business within the Quilter Perimeter in which case such liability shall be novated to, or the relevant company shall be indemnified by, a company in the Quilter plc Group; and (ii) any liability that arises in a company in the Quilter plc Group owing to a third party shall remain with that company unless such liability principally relates to a business which is not within the Quilter Perimeter in which case such liability shall be novated to, or the relevant company shall be indemnified by, Old Mutual plc or one of its subsidiaries. For the purposes of this provision, "Quilter Perimeter" means, broadly, the businesses carried on prior to the Quilter plc Demerger other than those transferred to the Quilter plc Group as part of the implementation of Managed Separation.

Following the Quilter plc Demerger, if any property, asset or right relating principally to the business of either the Group or the Quilter plc Group is found to be owned or held by the other in error, Old Mutual plc or Quilter plc, as applicable, shall procure that the relevant property, asset or right be transferred to the other as soon as reasonably practicable.

##### *"Old Mutual" Name and Brand*

Old Mutual plc has agreed that the Group shall not, for the period from Quilter plc Demerger until 31 March 2020: (i) carry on business in the UK using a name or brand containing the term "Old Mutual"; or (ii) permit any person outside of the Group to use a name or brand containing the term "Old Mutual" in connection with any business in the UK, in each case that competes with the businesses of the Group; provided that: (a) the restriction in (i) shall not apply to any member of the Group which at the date of the agreement carried on such a business in the UK using such a name or brand nor shall it apply to the UK Admission; and (b) this provision will cease to have effect following 6.30 p.m. (London time) on 25 June 2018.

#### *Other matters*

The Old Mutual plc Separation Agreement also includes provisions relating to: (i) the sharing of information to permit each of Old Mutual plc and Quilter plc to comply with its financial or tax reporting obligations; and (ii) the administration of the Old Mutual plc share plans in which Quilter plc Group employees participate.

### **1.2 OML Separation Agreement**

#### *Overview of the OML Separation Agreement*

On 12 April 2018, the Company and Quilter plc entered into the OML Separation Agreement to set out provisions that will govern certain aspects of Quilter plc's relationship with the Company after the Quilter plc Demerger.

#### *Non-solicitation*

The Company and Quilter plc have agreed that they shall not, for a period of 2 years from the date of the Quilter plc Demerger, solicit or endeavour to entice away, employ or offer to employ, without the prior written consent of the other, any key employee of the other's group.

#### *"Old Mutual" Name and Brand*

The Company has agreed that the Group shall not, for the period from Quilter plc Demerger until 31 March 2020: (i) carry on business in the UK using a name or brand containing the term "Old Mutual"; or (ii) permit any person outside of the Group to use a name or brand containing the term "Old Mutual" in connection with any business in the UK, in each case that competes with the businesses of the Group; provided that the restriction in (i) shall not apply to any member of the Group which at the date of the agreement carried on such a business in the UK using such a name or brand nor shall it apply to the UK Admission.

#### *Chargeable payments*

If either the Quilter plc Group or the Group were, within five years after the Quilter plc Demerger, broadly, to transfer value to its members with a main purpose of tax avoidance or otherwise not for genuine commercial reasons, adverse tax consequences could arise, in particular for Shareholders and for the Quilter plc Group. Under the OML Separation Agreement, therefore, Quilter plc and the Company both covenant not to carry out any such transaction within that period.

#### *Other matters*

The OML Separation Agreement also includes provisions relating to the sharing of information to permit each of the Company and Quilter plc to comply with its financial or tax reporting obligations.

### **1.3 Intellectual Property Deed**

On 12 April 2018, Old Mutual plc and Quilter plc entered into the Intellectual Property Deed regarding various intellectual property related matters. Pursuant to the Intellectual Property Deed: (i) Old Mutual plc assigned to Quilter plc all of its intellectual property rights in information technologies, known as the "SIS platform" (used by the Quilter plc Group to provide long term investments with solutions for wealth building and wealth management), the "ODS/RDS" application (used as a repository for the storage and validation of Solvency II investment data), and the "DCT" and "Governance SharePoint tools" software applications (used for financial reporting, compliance and company secretariat functions); (ii) Old Mutual plc assigned to Quilter plc two registered trademarks for the mark "Skandia" in Chinese characters and two registered trademarks for the mark "Financial Adviser School"; (iii) Old Mutual plc assigned to Quilter plc all of its rights to use the "Skandia" name and associated obligations under a trade mark licence entered into between, *inter alia*, Old Mutual plc and Skandia Liv on 16 June 2016; and (iv) Old Mutual plc and Quilter plc cross-licensed certain shared unregistered intellectual property rights to each other.

### **1.4 Tax Matters Agreement**

#### *Overview of Tax Matters Agreement*

The Tax Matters Agreement between Old Mutual plc and Quilter plc sets out the general principle that each will be responsible for taxes imposed on its subsidiaries and business for any period, with each party indemnifying the other where that would otherwise not be the case. Similarly, each of the Quilter plc Group and the Group will generally be entitled to benefit from any tax refunds relating to its subsidiaries and business. This agreement also provides for cooperation between the parties in relation to the exchange of information, preparation and submission of tax returns and computations and communications with tax authorities on tax matters affecting both the Quilter plc Group and the Group.



### *Tax reliefs*

The Tax Matters Agreement also sets out arrangements relating to the allocation of and payment for certain tax reliefs between the Quilter plc Group and the Group in respect of periods up to the period in which the Quilter plc Demerger takes place.

### *Transfer pricing*

Where transfer pricing or similar tax rules result in an increased tax liability for one of the Quilter plc Group or the Group (as the case may be) (the “first party”) for a transaction or arrangement it has undertaken with the other (the “other party”), the Tax Matters Agreement provides for the other party to compensate the first party and for the Quilter plc Group or the Group to cooperate to enable the other party to benefit from a corresponding downward adjustment to its own tax liability.

### *Chargeable payments*

If either the Quilter plc Group or the Group were, within five years after the Quilter plc Demerger, broadly, to transfer value to its members with a main purpose of tax avoidance or otherwise not for genuine commercial reasons, adverse tax consequences could arise, in particular for Old Mutual plc Shareholders and for the Quilter plc Group. Under the Tax Matters Agreement, therefore, Old Mutual plc and Quilter plc both covenant not to carry out any such transaction within that period.

## **1.5 SUKL SPA**

On 30 January 2018 Quilter plc entered into the SUKL SPA with Old Mutual plc, pursuant to which Quilter plc acquired the entire issued share capital of SUKL. Quilter plc issued one ordinary £1 share in its share capital as consideration for the acquisition of SUKL and its six subsidiary undertakings. Signing was on 30 January 2018 with completion agreed to be on 31 January 2018. There were no conditions precedent in the SUKL SPA.

Old Mutual plc provided title and capacity warranties and limited warranties on the financial position of SUKL. There are no limitations on liability included in the SUKL SPA. Quilter plc provided capacity warranties.

Old Mutual plc agreed to accept the novation of, or indemnify Quilter plc against, any liability that arises in any of SUKL and its subsidiaries (“SUKL Group”) which principally relates to a business or businesses which are not within the Group and are not owed to another company within the SUKL Group. Quilter plc agreed to accept the novation of, or indemnify Old Mutual plc against, any liability which arises in the Group which (i) consists of a guarantee or indemnity granted by a company in the Group in respect of a security, indemnity or similar liability of SUKL Group company and (ii) relates to a business or businesses of the Quilter plc Group. Quilter plc agreed to indemnify Old Mutual plc and its group in relation to any losses it (or a relevant group member) incurs arising in relation to a guarantee given by OMGUK in relation to a sale agreement entered into by Skandia Retail Europe Holding GmbH and Heidelberger Leben Holding AG dated 26 March 2014.

## **1.6 Transitional Trade Mark Licence Agreement**

On 7 March 2018, Old Mutual plc, OMLACSA and Quilter plc entered into a Transitional Trade Mark Licence pursuant to which Old Mutual plc and OMLACSA granted Quilter plc, with effect from the date of the Quilter plc Demerger, a non-exclusive and royalty-free licence to use rights in the “Old Mutual” brand (including the “Old Mutual” name and associated logos) to conduct the business of the Quilter plc Group for a transitional period. The licence covers a number of countries globally.

The licence granted includes the right for Quilter plc to sub-license the brands to: (i) its subsidiaries, subject to certain territorial restrictions and provided that any such sub-license will terminate automatically 3 months after any subsidiary ceases to be part of the Quilter plc Group; and (ii) collective investment schemes that are managed, sponsored or offered by Quilter plc or its subsidiaries, as part of that scheme’s name.

The term of the licence to Quilter plc and all sub-licences is until 24 months after the date of the Quilter plc Demerger, except that any sub-licences to OMGI and any of its subsidiaries terminate 12 months after the date of the Quilter plc Demerger. If Quilter plc becomes aware that the Quilter plc UK Platform Transformation Programme may not be completed within 24 months after the date of the Quilter plc Demerger, Quilter plc may extend the duration of the sub-licences to Old Mutual Wealth Limited, OMWLA and Old Mutual Wealth Life and Pensions Limited until 30 months after the date of the Quilter plc Demerger, provided that, if the delay in the Quilter UK Platform Transformation Programme is a result of a material breach by Old Mutual Wealth Life and Pensions Limited of the IT migration agreement entered into with FNZ (UK) Limited, Quilter plc shall, at the request of Old Mutual plc, pay Old Mutual plc the sum of £100,000.

The Transitional Trade Mark Licence Agreement may be terminated immediately by Old Mutual plc and OMLACSA on any material breach (which is not remedied within 30 days) by, any challenge to the ownership or validity of the licensed trade mark by, or on the insolvency of, Quilter plc or any of its sub-licensees. The Transitional Trade Mark Licence Agreement may also be terminated by Old Mutual plc and OMLACSA on three months’ notice if Quilter plc undergoes a change of control.

## **1.7 Framework Agreement**

### *Overview of the Framework Agreement*

On 9 January 2018 ("Signature Date"), OMGH, on behalf of the Company, entered into the Framework Agreement. As contemplated by the Framework Agreement, the South African Competition Tribunal made the relevant provisions of the Framework Agreement conditions to its approval of the acquisition of Old Mutual plc by the Company ("Acquisition").

#### **B-BBEE shareholding**

The Company estimates that, subsequent to implementation of the Managed Separation, its effective B-BBEE shareholding may be less than the current Amended FSC target of 25%. As soon as practically possible, but by no later than 3 years after the date on which the Acquisition closes ("Implementation Date") or such shorter period as prescribed by the Amended FSC and associated empowerment regulation or legislation, the Company will procure that the effective B-BBEE shareholding in the Company shall be increased to at least 25%.

The Company will benchmark its B-BBEE shareholding to its peer group, and aims to have a B-BBEE shareholding which is best in class, measured against comparable competitors as at the Implementation Date. Measured against that benchmark, the Company undertakes that within 5 years of the Implementation Date, it will procure that the effective B-BBEE shareholding in the Company shall be no less than the effective B-BBEE shareholding in the best empowered peer company. The Company shall have full latitude to design appropriate transactions to give effect to its B-BBEE undertakings to ensure performance of its obligations. To the extent that this involves a B-BBEE share transaction in the Company, this shall include broad-based and employee participation elements.

#### **Employment commitments**

The Company undertakes that there will be no Managed Separation related job losses and to procure that, as a direct consequence of the Acquisition, and prior to the Implementation Date, it will increase the number of full time equivalents in the Company or Emerging Markets in South Africa by not less than 50 persons.

## **1.8 Enterprise development commitments**

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

If, in the normal course of business and unrelated to the Managed Separation, Emerging Market's aggregate employment in South Africa were to reduce (and in accordance with normal legal provisions) below that at the Signature Date, the Company is committed to increasing aggregate employment in the Company Ecosystem to the level at the Signature Date, measured at the second anniversary of the Signature Date.

## **1.9 New Nedbank Relationship Agreement**

On or around the date of this Pre-listing Statement, the Company and Nedbank entered into the New Nedbank Relationship Agreement to govern the terms of their relationship upon completion of the Nedbank Unbundling and replace the Historic Nedbank Relationship Agreement.

Old Mutual plc has assigned its rights and obligations under the Historic Nedbank Relationship Agreement to the Company. Save for certain surviving provisions, the Historic Nedbank Relationship Agreement shall terminate upon the earlier of the Nedbank Unbundling and a reduction in the Company's beneficial shareholding to a level below 50.1% of Nedbank's total ordinary shares in issue. The substantive rights and obligations under the New Nedbank Relationship Agreement shall become effective upon the Nedbank Unbundling.

The Company has committed to maintaining a long term beneficial shareholding, in order to underpin the commercial arrangements, of at least 19.9% of Nedbank's total ordinary shares in issue to provide stability to the broader financial system and the Nedbank and Company investor bases during the Managed Separation, whilst also supporting ongoing commercial arrangements. If the level of the Company's beneficial shareholding is reduced by an issue of ordinary shares in Nedbank or other action by Nedbank where: (i) the Company is precluded by Nedbank from participating in such issue or action; or (ii) the Company is not precluded by Nedbank from participating in such issue or action, but cannot participate due to capital or regulatory concerns, as confirmed by correspondence with the relevant regulator, then the Company's long term beneficial shareholding shall be the higher of its resultant diluted shareholding and 15% of Nedbank's total ordinary shares in issue.

The Company has agreed that it will, from the date of the Nedbank Unbundling: (i) not increase its shareholding in Nedbank at any stage other than as jointly determined with Nedbank, provided that if the Company and Nedbank are not able to jointly determine whether to pursue any increase in the Company's shareholding in Nedbank, Nedbank acknowledges that the Company will have sole discretion to proceed with the proposed purchase of Nedbank shares; (ii) not reduce its shareholding in Nedbank at any stage other than in accordance with the protocols of the New

Nedbank Relationship Agreement; and (iii) not act in concert with third parties in respect of any acquisitions of shares in Nedbank.

The Company and Nedbank have expressly recognised the benefits of the arm's length commercial arrangements between themselves and undertaken to continue to retain such commercial arrangements with one another provided that, and for as long as, they are competitive, arm's length, commercially viable and compliant with regulatory and competition law requirements. In particular, the Company and Nedbank have undertaken to support each other's core business offering where it is legally permissible to do so and/or does not raise legal risk to do so on an arm's length basis, provided that in respect of competing business offerings, the Company and Nedbank shall conduct themselves as ordinary competitors, whilst complying at all times with competition laws.

The New Nedbank Relationship Agreement sets out the protocols governing any disposal by the Company of any part or the whole of its shareholding in Nedbank following the Nedbank Unbundling. These protocols require the Company to notify Nedbank as soon as reasonably possible of its intention to reduce its shareholding and, depending on the number of Nedbank shares being disposed of and the nature of the proposed transferee(s), the Company may be required to consult with and/or consider any recommendations by Nedbank in respect of the identity of such transferee(s) or may require Nedbank's written consent to such disposal. In the event of a bookbuild market offering by the Company of any portion of its shareholding, the Company has granted to Nedbank an irrevocable right of first refusal to repurchase all or any part of the shareholding intended for such disposal by the Company on market related commercial terms or other terms as may be proposed by the Company, subject to any regulatory requirements that need to be met.

The Company will have the right, from the effective date of Nedbank Unbundling and for so long as its shareholding in Nedbank does not fall below 15% of Nedbank's total ordinary shares in issue, to nominate one non-executive director of both Nedbank and Nedbank Limited.

If the Company's shareholding in Nedbank falls to below 15% of Nedbank's total ordinary shares in issue: (i) Nedbank and Nedbank Limited shall have the right to terminate the Company's right to nominate a non-executive director; and (ii) either party may terminate the New Nedbank Relationship Agreement. The provisions relating to the protocol for disposals by the Company of shares in Nedbank shall survive termination of the New Nedbank Relationship Agreement and continue to be effective until the Company's beneficial shareholding falls below 5% of Nedbank's total ordinary shares in issue.

#### **1.10 HNA SPA**

On 24 March 2017, Old Mutual plc, OMGUK and HNA Capital entered into the HNA SPA which was subsequently amended by amendment agreements respectively dated 11 May 2017 and 28 September 2017 and pursuant to which OMGUK sold to HNA Capital 24.95% of the economic and voting power of the shares in OMAM as part of the process of reducing the Old Mutual plc Group's stake in OMAM.

The sale was effected by way of two disposals: (i) an initial disposal by OMGUK to HNA Capital of depository receipts representing issued ordinary shares in OMAM and representing 9.95% of the economic and voting power of the shares in OMAM at \$15.30 per share; and (ii) a further disposal by OMGUK to HNA Capital of certain depository receipts representing issued ordinary shares in OMAM such that HNA Capital held an aggregate interest of 24.95% of the economic and voting power of the shares in OMAM at \$15.75 per share. Completion of the initial disposal occurred in May 2017 and completion of the further disposal occurred in November 2017. The total consideration for both disposals was approximately USD446 million.

Old Mutual plc and OMGUK provided certain warranties to HNA Capital on a joint and several basis, including warranties relating to title, capacity, and authority, and warranties relating to the financial, tax and compliance position of OMAM. HNA Capital provided certain limited warranties including capacity and authority.

OMGUK provided an indemnity to HNA Capital in respect of losses arising out of or resulting from breaches of certain warranties and HNA Capital provided an indemnity to Old Mutual plc and OMGUK in respect of losses arising out of or resulting from breaches of certain warranties. The maximum aggregate liability of OMGUK and of HNA Capital under such indemnities is limited to the consideration actually paid by HNA Capital.

The HNA SPA is governed by New York law and disputes thereunder are subject to the exclusive jurisdiction of the Courts of New York.

#### **1.11 OMLAH SPA and AIVA SPA**

On 15 March 2018, OMSA and Lily Purchaser entered into the OMLAH SPA and AIVA SPA, pursuant to which OMSA agreed, subject to certain conditions, to sell all of the shares in: (i) OMLAH (ie the Emerging Markets operations in Colombia and Mexico), resulting in the indirect transfer of OMLAH's subsidiaries in Colombia and Mexico; and (ii) AIVA, resulting in the indirect transfer of AIVA's subsidiaries in Uruguay and Florida, USA to Lily Purchaser. In addition, Old Mutual plc will transfer the rights to the "Skandia" brand in Colombia and Mexico to Lily Purchaser for nominal consideration pursuant to an intellectual property assignment agreement to be entered into on the closing date of the OMLAH SPA and AIVA SPA.

The OMLAH SPA and AIVA SPA are on substantively similar terms and conditions. Both transactions are subject to certain conditions precedent, including: (i) payment of the break fee (as detailed below) by Lily Purchaser into escrow within 20 days of entry into the OMLAH SPA; (ii) provision of reciprocal parent company guarantees from CMI (in

respect of Lily Purchaser) and Emerging Markets (in respect of OMSA) within 20 days of entry into the OMLAH SPA; (iii) receipt of required regulatory approvals in relevant jurisdictions; and, in the case of the OMLAH SPA, (iv) the sale of AIVA becoming effective; and, in the case of the AIVA SPA, (v) the OMLAH SPA becoming effective; and (vi) completion of a corporate restructuring in Mexico and a reorganisation pursuant to which a specified number of shares in each of (a) Old Mutual Holdings de Colombia S.A., (b) Old Mutual Asistencia Profesional, S.A. de C.V., (c) Old Mutual Life S.A. de C.V., and (d) Old Mutual Servicios Mexico S.A. de C.V. are transferred from OMGUK to a subsidiary of OMLAH.

OMSA and Lily Purchaser have each agreed to use their reasonable endeavours to satisfy the conditions relating to receipt of regulatory approvals, subject to certain exemptions relating to overly burdensome conditions to such approvals.

The consideration payable by Lily Purchaser under the OMLAH SPA is USD292.5 million and under the AIVA SPA is USD15 million, in each case subject to customary provisions relating to leakage since the locked box date of 31 December 2016.

The break fee of USD23 million will be released to OMSA if: the purchase price under either the OMLAH SPA or the AIVA SPA is not paid to OMSA on the date of the relevant closing as a result of a breach of a warranty given by Lily Purchaser relating to the aggregate funds available to it to pay the purchase price; or closing has not taken place by the date falling twelve months after the date of the OMLAH SPA as a result of a breach of a warranty given by Lily Purchaser that to its knowledge the sale will not require regulatory approval in China. If closing takes place under both agreements, release to OMSA of the funds held in escrow in respect of the break fee will form part of the payments made by Lily Purchaser at closing.

The OMLAH SPA and AIVA SPA contain customary warranties relating to title and capacity and other commercial warranties given by OMSA, including in relation to anti-corruption, compliance, disclosure and consents, and certain limited warranties given by Lily Purchaser relating to regulatory approvals, funding and source of funds, anti-corruption and consents, in each case subject to customary limitations on liability. There are also customary pre-closing undertakings relating to the conduct of business of OMLAH and AIVA and a customary pre-closing tax covenant granted by OMSA in favour of Lily Purchaser.

OMSA has agreed not to undertake certain business (relating to life insurance or annuity products, health insurance products, pension, investment, infrastructure fund, mutual fund or asset management products) in Mexico, Colombia, Brazil and Uruguay for a period of 36 months following closing. The use of the "Old Mutual" brand is specifically excluded from the sale; however, the companies transferred pursuant to the OMLAH and AIVA SPAs may use certain "Old Mutual" intellectual property after the closing date of the OMLAH and AIVA SPAs for a period of nine months under the OMLAH SPA and 3 months under the AIVA SPA, pursuant to a trademark licence agreement to be entered into between Old Mutual plc, OMSA and Lily Purchaser on the closing date of the OMLAH and AIVA SPAs.

#### 1.12 **Guarantee**

On 27 March 2018, the Company and Old Mutual plc entered into the Guarantee (which was subsequently amended by the Company and Old Mutual plc on 30 March 2018), pursuant to which the Company guarantees the obligations of Old Mutual plc under the Indemnity Agreement.

The Guarantee provides that, with effect from the Second Scheme Effective Time, if Old Mutual plc fails to pay or satisfy any and all of the obligations under the Indemnity Agreement from time to time (the "Guaranteed Obligations"), the Company shall, upon demand being made in writing, pay or satisfy such Guaranteed Obligations. As a pre-condition to payment or satisfaction of any Guaranteed Obligation, the Company shall be entitled to require that (i) Old Mutual plc has admitted in writing that such obligation is due to be paid or satisfied and is an obligation to which the Guarantee applies; or (ii) a court of competent jurisdiction has declared (in proceedings to which Old Mutual plc is a party) that the obligation is one to which the Guarantee applies, the amount to be paid or satisfied and the time limit for appealing against such order has expired without an appeal being lodged or an appeal has been finally determined or abandoned.

The Guarantee is a continuing guarantee, remaining in force until all the obligations under the Indemnity Agreement have been satisfied or the Indemnity Agreement is terminated or Old Mutual plc is irrevocably and unconditionally released from all of its obligations under the Indemnity Agreement. If the Company pays or satisfies any obligation under the Guarantee, resulting in debt or a claim against Old Mutual plc, such claim shall be postponed to every other debt of or claim against Old Mutual plc until such debts or claims have been fully paid. The Guarantee shall enure for the benefit of every person who is a creditor or contingent creditor of Old Mutual plc in respect of the obligations under the Indemnity Agreement and shall be enforceable against the Company by any such creditor or contingent creditor.

For further information, please see "Part XI – Operating and Financial Review – Current Trading and Prospects".

## KING-CODE REGISTER

### King Code

#### Preamble

The Board recognises the link between effective governance, sustainable performance and the creation of long-term value for all of its stakeholders. The Board is committed to the principles of transparency, integrity, fairness and accountability, and recognises the need to implement good corporate governance principles. The Board, therefore, seeks to apply the principles as set out in the King Code.

The Company has performed an assessment of the application of the principles set out in King Code. The assessment is reflected below together with key actions envisaged to achieve application, where gaps exist.

Principle	Applied	Comments
1. The governing body should lead ethically and effectively.	Applied	The Directors, overseen by the chairperson, hold each another accountable for decision-making and ethical behaviour.
2. The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Applied	The Board is responsible for the monitoring and governance of the ethics of the Company, which is detailed in its terms of reference.
3. The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	Applied	The Board, assisted by the Responsible Business Committee, ensures that the Company is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business of the Company, but also the impact that business operations have on the environment and the society within which it operates.
4. The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Applied	The Company's ability to create value in a sustainable manner is illustrated throughout its business model.  The Audit Committee and the Risk Committee assist the Board with the governance of risk and continuously monitors risks and ensure the implementation of controls.
5. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	Applied	The Company's annual report will contain an assessment of its performance, measured against its objectives.
6. The governing body should serve as the focal point and custodian of the corporate governance in the organisation.	Applied	The Board is the focal point and custodian of corporate governance. Its role and responsibilities and the manner in which it executes its duties and decision making are documented and are set out in the Board Charter. Further aspects of governance are addressed with greater impetus through the established Board sub-committees, for example, the Audit Committee, the Risk Committee and the Remuneration Committee.

Principle	Applied	Comments
7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Applied	<p>The Board is satisfied that there is currently a balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities.</p> <p>On at least an annual basis, the Board and its sub-committees consider their composition in terms of balance of skills, experience, diversity, independence and knowledge and whether this enables them to effectively discharge their role and responsibilities. Flowing from the responses on these assessments, action plans to address concerns will be evaluated and implemented. Furthermore, where necessary subject matter experts are available for matters requiring specialised guidance.</p>
8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	Applied	<p>The Board and its sub-committees comply with the requirements of King IV, however, in relation to the Audit Committee, only 4 of the 5 members are independent Directors with the fifth director being a Non-executive Director. There is a clear balance of power to ensure that no individuals have undue decision-making powers.</p> <p>The Audit Committee is satisfied that the auditor is independent and non-audit services are not performed and the audit firm has been appointed with the designated audit partner having oversight of the audit.</p> <p>The Audit Committee oversees the finance function.</p>
9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	Applied	<p>The Board and all sub-committees' charters include the onus of annual assessments. Assessments of the performance by the Board, its sub-committees and the company secretary will be conducted annually by way of an internal evaluation process.</p>
10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.	Applied	<p>The Board is satisfied that the Company is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.</p>
11. The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Applied	<p>The Audit Committee and the Risk Committee assist the Board with the governance of risk. The Board is aware of the importance of risk management as it is linked to the strategy, performance and sustainability of the business. Accordingly risks are identified and managed within acceptable parameters.</p> <p>The Risk Committee delegates to management to continuously identify, assess, mitigate and manage risks within the existing operating environment. Mitigating controls are in place to address these risks which are monitored on a continuous basis.</p>
12. The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	Applied	<p>The Board, together with the Technology and Platforms Committee, oversees the governance of IT. The Board is aware of the importance of technology and information in relation to the Company's strategy.</p>

Principle	Applied	Comments
13. The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.	Applied	The Board, together with the Responsible Business Committee and the Risk Committee, is assisted by the company secretary to monitor compliance with the various regulations applicable to the Company in a manner to ensure that the Company is run in an ethical manner befitting of a good corporate citizen.
14. The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.	Applied	The Board, assisted by the Remuneration Committee, ensures that staff is remunerated fairly, responsibly, transparently and in line with industry standards so as to promote the creation of value in a sustainable manner. This responsibility is contained in the Remuneration Committee's charter.
15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	Applied	The Board is satisfied that the assurance results indicate an adequate and effective control environment and integrity of reports for better decision-making. This responsibility is contained in the Board Charter and the Audit Committee charter.
16. In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Applied	Various stakeholder groups have been identified and the Board balances their legitimate and reasonable needs, interests and expectations.
17. The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.	Applied	The Board ensures that responsible investment is practiced by the Company to promote the good governance and the creation of value by the companies in which it invests.

## REGULATED BUSINESSES

Set out below are the types of licences held by the Group in relation to the lines of business conducted in each jurisdiction (save in relation to the type of licences held by Nedbank). In addition, the Company operates in jurisdictions where the business conducted is regulated generally, but not under a specific licence.

<b>Jurisdiction</b>	<b>Licence held/nature of the business</b>	<b>Regulator</b>
Bermuda	Investment firm	Bermuda Monetary Authority
Botswana	Financial services provider Life insurance Short-term insurance	Non-bank Financial Institution Regulatory Authority ("NBFIRA") NBFIRA NBFIRA
Brazil	Insurance brokerage	Brazilian Insurance Regulatory Authority ("SUSEP")
China	Long term life insurance	China Insurance Regulatory Commission
Colombia	Holding of investments: non-financial entity Life insurance Pension and severance funds manager: financial institution Stockbroking Trust company: financial institution	Corporate Regulator Financial Superintendence of Colombia ("SFC") SFC SFC SFC
Ghana	Life insurance Pensions administration	National Insurance Commission ("NIC") National Pensions Regulatory Authority ("NPRA")
Guernsey	Insurer Life insurer	Financial Services Commission ("GFSC") GFSC
Isle of Man	Collective investment schemes Investment business	Financial Services Authority ("IFSA") IFSA
Kenya	Collective investment schemes Fund Management Fund Management Long term insurance Microfinance banking Pension administration Stockbroking	Capital Markets Authority Capital Markets Authority Retirement Benefits Authority Insurance Regulatory Authority Central Bank of Kenya Retirement Benefits Authority Capital Markets Authority
Lesotho	Authorised financial services provider	Central Bank of Lesotho
Malawi (1)	Corporate trustee Investment adviser Life insurance Pension services company Portfolio manager Umbrella fund Unit trust scheme Unrestricted pension fund	Reserve Bank of Malawi ("RBM") RBM RBM RBM RBM RBM RBM RBM
Mauritius	Collective investment scheme manager Fund Manager Global Business Investment adviser Reinsurer	Financial Services Commission ("FSC") FSC FSC FSC FSC



<b>Jurisdiction</b>	<b>Licence held/nature of the business</b>	<b>Regulator</b>
Mexico	Life insurance Mutual fund Mutual fund manager: financial institution	Comisión Nacional de Seguros y Fianzas ("CNSF") Secretaría de Hacienda y Crédito Público ("SHCP") SHCP
Namibia	Asset management Authorised financial services provider Long-term insurance Micro-lending Packaging, distribution and administration of unit trust based instruments Unit trust scheme	Namibia Financial Institutions Supervisory Authority ("NAMFISA") NAMFISA NAMFISA NAMFISA NAMFISA NAMFISA
Nigeria	General insurance Long-term insurer	National Insurance Commission ("NIC") NIC
Rwanda	General and health insurance	National Bank of Rwanda
South Africa	Banking Collective investment scheme manager Financial Services Providers Long-term insurance Pension Funds Short-term insurance	Registrar of Banks, SARB FSB FSB FSB FSB FSB
South Sudan	General, life and health insurance	Jubek Insurance Regulatory Authority
Swaziland	Collective investment scheme manager Insurance Investment adviser	Financial Services Regulatory Authority ("SFSRA") SFSRA SFSRA
Tanzania	General Insurance	Tanzanian Insurance Regulatory Authority
Uganda	Collective investment schemes Fund administration Fund management Health insurance Life insurance Micro insurance Non-life insurance Stockbroking	Capital Markets Authority ("UCMA") Insurance Regulatory Authority ("UIRA") UCMA UIRA UIRA UIRA UIRA UIRA UCMA
Uruguay	Business process outsourcing Investment adviser	Central Bank of Uruguay ("CBU") CBU
Zimbabwe	Asset management Authorised dealership Building society Custodial General insurance Life assurance Micro financier Real estate Stockbroking Trusteeship	Securities and Exchange Commission of Zimbabwe ("SECZ") RBZ RBZ SECZ Insurance and Pension Commission ("IPEC") IPEC RBZ Real Estate Council of Zimbabwe SECZ SECZ

**Note:**

1. In terms of the Malawian Financial Services Act, 2010 (as amended), a single person or entity should not own more than 49% of the shareholding in any regulated entity. Old Mutual Malawi sought waivers from the Regulator of Financial Services for the holding company to have a 100% shareholding in the subsidiaries until such a time as the Regulator of Financial Services revises this position. The Old Mutual Pension Services Company, a 100% owned subsidiary of Old Mutual Malawi, was treated as an exception by the Regulator of Financial Services and it was given a waiver for a period of 5 years commencing January 2016.

## DEFINITIONS, GLOSSARY AND INTERPRETATION

In this Pre-listing Statement, unless otherwise stated or the context clearly indicates otherwise, the words in the first column have the meanings stated opposite them in the second column, words in the singular shall include the plural and *vice versa*, words importing one gender include the other genders and references to a person include juristic persons and associations of persons and *vice versa*:

<b>"ABSA"</b>	ABSA Bank Limited, a public company incorporated under the laws of South Africa with registration number: 1986/004794/06;
<b>"Acceptance Date"</b>	the date on which an Offer is accepted or deemed to be accepted;
<b>"Admission Date"</b>	the date of the Admissions, which is expected to be 26 June 2018;
<b>"Admissions"</b>	means: <ul style="list-style-type: none"> <li>(i) admission, as a primary listing, in accordance with the JSE Listings Requirements, of all of the issued Ordinary Shares on the JSE;</li> <li>(ii) the UK Admission;</li> <li>(iii) admission, as a secondary listing, in accordance with the Malawi Stock Exchange Listings Requirements, of all of the issued Ordinary Shares on the Malawi Stock Exchange;</li> <li>(iv) admission, as a secondary listing, in accordance with the Namibian Stock Exchange Listings Requirements, of all of the issued Ordinary Shares on the Namibian Stock Exchange; and</li> <li>(v) admission, as a secondary listing, in accordance with the Zimbabwe Stock Exchange Listings Requirements, of all of the issued Ordinary Shares on the Zimbabwe Stock Exchange</li> </ul> and <b>"Admission"</b> shall refer to any one of them as the context may require;
<b>"AIVA"</b>	AIVA Holding Group S.A, a private company incorporated under the laws of Panama, with registration number: 459604;
<b>"AIVA SPA"</b>	the sale of shares agreement entered into between OMSA and the Lily Purchaser on 15 March 2018 in relation to the sale of shares in AIVA;
<b>"Alexander Forbes"</b>	Alexander Forbes Limited, a public company incorporated under the laws of South Africa with registration number: 1958/001974/06;
<b>"Allan Gray"</b>	Allan Gray Investment Holding Company Proprietary Limited, a private company incorporated under the laws of South Africa with registration number: 1987/005030/07;
<b>"Amended FSC"</b>	the Amended Financial Services Sector Code, published on 1 December 2017, which is applicable to participants in the financial services industry in South Africa;
<b>"Annual General Meeting"</b>	the annual general meeting of Old Mutual plc Shareholders to be held in the Presentation Suite, 2nd Floor, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG at 11.00 a.m. (UK time)/12.00 p.m. (SAST) on 30 April 2018;
<b>"AOP"</b>	adjusted operating profit;
<b>"APE"</b>	annual premium equivalent;
<b>"Appointment and Board Diversity Policy"</b>	the appointment and board diversity policy adopted by the Board, from time to time;
<b>"Asset Management"</b>	the line of business that includes all asset management activities undertaken by Old Mutual Investment Group, as well as retail savings/investment products not sold under the Life licence;
<b>"Audit Committee"</b>	the audit committee of the Company;
<b>"Audited General Purpose Financial Statements"</b>	the audited general purpose consolidated financial statements of the Old Mutual plc Group for the year ended 31 December 2017;
<b>"AUM"</b>	assets under management;

<b>"Award"</b>	a Forfeitable Share Award, a Conditional Share Award, a Forfeitable Phantom Award and/or a Conditional Phantom Award, as the context requires;
<b>"Award Date"</b>	the date on which the Remuneration Committee resolves that the Award be Offered (or such other date selected by the Remuneration Committee as the "Award Date");
<b>"Award Letter"</b>	a letter delivered in terms of a Company Shares Plan to an Eligible Employee by the Company, or its nominee making and Offer and setting out the terms and conditions of the Award;
<b>"Banking and Lending"</b>	the line of business that includes all lending and deposit taking entities;
<b>"Banks Act"</b>	the South African Banks Act, 94 of 1990 (as amended);
<b>"Basel Committee"</b>	a committee of banking supervisory authorities that provide a forum for regular cooperation on banking supervisory matters;
<b>"B-BBEE"</b>	broad-based black economic empowerment;
<b>"B-BBEE Act"</b>	the South African Broad-based Black Economic Empowerment Act, 53 of 2003 (as amended);
<b>"Bermuda"</b>	Old Mutual (Bermuda) Holdings Limited, a company incorporated in accordance with the laws of Bermuda with registration number 50215 and all of its subsidiaries and any affiliated business operations of Old Mutual plc in Bermuda;
<b>"Board" or "Directors"</b>	the board of directors of the Company and <b>"Director"</b> means any member of the Board, as the context so requires;
<b>"Black People"</b>	black people as defined in the B-BBEE Act;
<b>"Board Charter"</b>	the Company's board charter, which sets out the role, powers, responsibilities and composition of the Board;
<b>"Botswana"</b>	the Republic of Botswana;
<b>"Branch Nominee"</b>	the OMBN Nominee in respect of Malawi, the OMNAN Nominee in respect of Namibia and a Zimbabwean Nominee in respect of Zimbabwe, as the context may require;
<b>"Branch Nominee Register"</b>	the OMBN Nominee Register in respect of Malawi, the OMNAN Nominee Register in respect of Namibia and a Zimbabwean Nominee Register in respect of Zimbabwe, as the context may require;
<b>"Branch Register"</b>	the Old Mutual plc Malawi Register in respect of Malawi, the Old Mutual plc Namibian Register in respect of Namibia and the Old Mutual plc Zimbabwean Register in respect of Zimbabwe, as the context may require;
<b>"business day"</b>	a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in South Africa;
<b>"Business Doctor"</b>	The Business Doctor Consortium Limited and its associates;
<b>"Business Hours"</b>	the hours between 9.00 a.m. and 5.00 p.m. (SAST), on a business day;
<b>"CABS"</b>	Central African Building Society, a building society incorporated in accordance with the laws of Zimbabwe;
<b>"CAGR"</b>	compound annual growth rate;
<b>"Cancellation of Capital"</b>	the cancellation of capital provided for in Clause 1 of the Scheme Circular;
<b>"CEO"</b>	the chief executive officer of the Company from time to time, being Peter Moyo;
<b>"Certificated" or "Certificated Form"</b>	recorded in physical paper form on the relevant Register without reference to CREST or the Strate System or the Zimbabwean CSD;
<b>"CFO"</b>	the chief financial officer of the Company from time to time, being Casper Troskie;
<b>"CGIC"</b>	Credit Guarantee Insurance Corporation of Africa Limited, a public company incorporated under the laws of South Africa with registration number: 1956/000368/06;
<b>"CGT"</b>	tax on capital gains as levied in accordance with the Income Tax Act;
<b>"Change of Control"</b>	a person (or persons acting in concert) who (alone or together, as the case may be) do(es) not have Control of the Company then acquire(s) Control of the Company (alone or together, as the case may be);
<b>"CMA"</b>	the Common Monetary Area consisting of South Africa, Namibia and the Kingdoms of Lesotho and Swaziland;

<b>"CMI"</b>	CMIG International Holding Pte. Ltd., registration number 201437634R, a limited private company duly incorporated under the laws of the Republic of Singapore;
<b>"Collective Investment Schemes Control Act"</b>	the South African Collective Investment Schemes Control Act, 45 of 2002 (as amended);
<b>"Companies Act"</b>	the South African Companies Act, 71 of 2008 (as amended) together with the South African Companies Regulations of 2011;
<b>"Company"</b>	Old Mutual Limited, a public company incorporated under the laws of South Africa with registration number: 2017/235138/06;
<b>"Company DIs"</b>	a depositary interest held in CREST representing an entitlement to 1 underlying Old Mutual Limited Share;
<b>"Company Ecosystem"</b>	Emerging Markets, the black-owned businesses and small, medium and micro enterprises from which Emerging Markets procures or will procure goods and services, any businesses financed or supported by Emerging Market's enterprise development initiatives, and any new investments made by Emerging Markets in subsidiaries and associates after the date on which the acquisition of Old Mutual plc by the Company closes;
<b>"Company MOI"</b>	the Company's memorandum of incorporation, relevant extracts of which are set out in Annexe 14 to this Pre-listing Statement;
<b>"Company Share Plans"</b>	the ESOP and the LTIP, collectively or individually, as the context requires and as further described in Annexe 10 to this Pre-listing Statement;
<b>"Conditional Phantom Award"</b>	a right, subject to the fulfilment of one or more suspensive condition(s), to receive a Phantom Award Cash Payment;
<b>"Conditional Share Award"</b>	a right, subject to the fulfilment of one or more suspensive condition(s), to acquire Ordinary Shares;
<b>"Control"</b>	being able to exercise at least the prescribed percentage (presently, 35%) of all the voting rights attached to securities of the Company, as contemplated in section 123 of the Companies Act;
<b>"Coronation"</b>	Coronation Fund Managers Limited, a public company incorporated under the laws of South Africa with registration number: 1973/009318/06;
<b>"Corporate Governance and Nominations Committee"</b>	the corporate governance and nominations committee of the Company;
<b>"CoSec Consulting Services"</b>	CoSec Consulting Services Proprietary Limited, a private company incorporated under the laws of South Africa with registration number: 2016/019276/07;
<b>"Court Meetings"</b>	the First Court Meeting and the Second Court Meeting;
<b>"CREST"</b>	the system for the paperless settlement of trades in securities and the holding of Uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the CREST Regulations;
<b>"CREST Regulations"</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended);
<b>"CSDP"</b>	a Central Securities Depository Participant, as defined in the FMA, appointed by a Shareholder for purposes of, and in regard to, dematerialisation of shares evidenced by physical documents of title into the Strate System;
<b>"Deed Poll"</b>	the deed poll, made by the UK Depositary, constituting the Company DIs, as described in Part XV – Incorporation and Share Capital – Trading and Settlement;
<b>"Dematerialised"</b>	in relation to Shareholders in South Africa and Namibia, recorded on the SA Register and the Namibian Register, the process by which Certificated shares are deposited with a CSDP and documents of title evidencing such shares are replaced by an electronic record of such shares in the Strate Nominee Register; and in relation to Shareholders in Zimbabwe, recorded on the Zimbabwean Register, the process by which Certificated shares are deposited with a Zimbabwean Custodian and documents of title evidencing such shares are replaced by an electronic record of such shares in the sub-register of shareholders maintained by the Zimbabwean Custodian or by an investment administrator to which the Zimbabwean Custodian has outsourced the professional administration of the sub-register of shareholders;
<b>"Demerger Effective Time"</b>	the time at which the Quilter plc Demerger becomes effective, expected to be on 6.00 a.m. (UK time)/7.00 a.m. (SAST) on Monday, 25 June 2018;
<b>"Depositary Agreement"</b>	between the Company and the UK Depositary;

<b>"Discovery"</b>	Discovery Limited, a public company incorporated under the laws of South Africa with registration number: 1999/007789/06, and its subsidiaries, from time to time;
<b>"Dividend Access Trust"</b>	any of the trusts established for the receipt of amounts paid by way of dividend or other shareholder distribution to such trust by one or more subsidiaries of the Company (and/or an associated company as defined in the Company MOI) for the purpose of making payments out of such dividends or shareholder distributions to specified Shareholders who are beneficiaries of such trust by virtue of such shareholding as contemplated in the Company MOI;
<b>"Dividend Equivalent"</b>	an amount, if any, payable in cash to a holder of a Conditional Share Award, a Conditional Phantom Award or a Forfeitable Phantom Award, as the case may be, calculated in accordance with the relevant provisions of a Company Share Plan;
<b>"Dividends Tax"</b>	Dividends Tax in South Africa;
<b>"Ecobank"</b>	Ecobank Transnational Incorporated, a public company incorporated under the laws of Togo with registration number: 1986/1575;
<b>"Eligible Employees"</b>	means persons holding permanent salaried employment or office with the Group, but excluding (i) a non-executive Director who does not hold permanent salaried employment with the Group; and (ii) unless the JSE agrees otherwise, a Trustee;
<b>"Emerging Markets"</b>	Old Mutual Emerging Markets Limited, a public company incorporated under the laws of South Africa with registration number: 1998/012277/06;
<b>"Emerging Markets MSIP"</b>	the managed separation incentive plan adopted by Emerging Markets;
<b>"Employer Company"</b>	in relation to an Eligible Employee or a Participant, a member of the Group which employs that Eligible Employee or Participant;
<b>"Employment Condition"</b>	a condition that a Participant remains in the continued employment of the Group for the duration of the period specified in the Award Letter;
<b>"ESOP"</b>	the employee share ownership plan adopted by the Company;
<b>"ESOP/LTIP Trust"</b>	a Trust(s) operating for the benefit of Participants in the ESOP and the LTIP;
<b>"EU"</b>	European Union;
<b>"Euro"</b>	the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the treaty establishing the European Community;
<b>"Euroclear Sweden AB"</b>	Euroclear Sweden AB, a company duly incorporated and registered under the laws of Sweden, with corporate registration number 556112-8074 and registered office address at Box 191, 101 23 Stockholm Sweden;
<b>"Exchange Control Regulations"</b>	the South African Exchange Control Regulations, 1961 as promulgated by Government Notice R.1111 of 1 December 1961 and amended up to Government Notice R.445 of 8 June 2012, in terms of section 9 of the South African Currency and Exchanges Act, 9 of 1933 (as amended);
<b>"Executive Directors"</b>	those executive Directors who are identified in "Part VIII – Management and Corporate Governance – Directors and Senior Management – Executive Directors";
<b>"Existing Restricted Plans"</b>	the following share based plans (including their country schedules) adopted by the Old Mutual plc Group prior to the Managed Separation: <ul style="list-style-type: none"> <li>(i) Old Mutual plc Share Reward Plan; and</li> <li>(ii) Old Mutual plc Performance Share Plan;</li> </ul>
<b>"FAIS Act"</b>	the South African Financial Advisory and Intermediary Services Act, 37 of 2002 (as amended);
<b>"FATCA"</b>	Sections 1471 through 1474 of the US Internal Revenue Code of 1986, as amended and commonly referred to as the Foreign Account Tax Compliance Act;
<b>"Faulu"</b>	Faulu Microfinance Bank Limited, a public company incorporated under the laws of Kenya with registration number: c.16/2004;
<b>"FCA"</b>	the UK Financial Conduct Authority or its successor from time to time;
<b>"FICA"</b>	the South African Financial Intelligence Centre Act, 38 of 2001 (as amended);
<b>"Financial Sector Conduct Authority"</b>	the Financial Sector Conduct Authority, a juristic person as established under section 56 of the FSR Act;

<b>"financial year"</b>	<p>in relation to the Company's 2017 financial year, means the period from its incorporation to 31 January 2018;</p> <p>in relation to the Company's 2018 financial year, means the period from 1 February 2018 to 31 December 2018; and</p> <p>for any other financial year, the 12 month period ended on 31 December;</p>
<b>"First Court Meeting"</b>	the meeting of the Scheme Participants convened by order of the Court pursuant to section 896 of the UK Companies Act to consider and, if thought fit, approve the First Scheme, including any adjournment thereof;
<b>"First Scheme"</b>	the first scheme of arrangement between Old Mutual plc and Old Mutual plc Shareholders to effect the Quilter plc Demerger, the transfer of Old Mutual plc Shares to new holders and the reclassification of Old Mutual plc Shares held on the Old Mutual plc UK Register into Old Mutual plc A Shares, in its present form or with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Old Mutual plc and, if applicable, Quilter plc;
<b>"First Scheme and Demerger Record Time"</b>	6.30 p.m. (UK time)/7.30 p.m. (SAST) on Friday, 22 June 2018;
<b>"First Scheme Court Hearing"</b>	the hearing by the Court to sanction the First Scheme (except for the Cancellation of Capital);
<b>"First Scheme Effective Time"</b>	7.00 p.m. (UK time)/8.00 p.m. (SAST) on Friday, 22 June 2018;
<b>"Forfeitable Phantom Award"</b>	rights to a Phantom Award Cash Payment and Dividend Equivalents;
<b>"Forfeitable Share Award"</b>	beneficial ownership (subject to the rules of the relevant Company Share Plan and/or the relevant Trust Deed) of an Ordinary Share(s);
<b>"FMA"</b>	the South African Financial Markets Act, 19 of 2012 (as amended);
<b>"Framework Agreement"</b>	the framework agreement entered into between OMGH and the Economic Development Department of the South African Government dated 9 January 2018;
<b>"Frw"</b>	Rwandan franc;
<b>"FSB"</b>	the Financial Services Board, the South African financial regulatory agency, having been replaced by the Prudential Authority and the Financial Services Conduct Authority with effect from 1 April 2018;
<b>"FSMA"</b>	the United Kingdom's Financial Services and Markets Act 2000 (as amended);
<b>"FSR Act"</b>	the South African Financial Sector Regulation Act, 9 of 2017 (as amended);
<b>"FUM"</b>	funds under management;
<b>"GBP", "£" and "Pound Sterling"</b>	the lawful currency of the UK;
<b>"GDP"</b>	gross domestic product;
<b>"General Meeting"</b>	the general meeting of Old Mutual plc Shareholders to be held in the Presentation Suite, 2nd Floor, Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4GG at 11.00 a.m. (UK time)/12.00 p.m. (SAST) on Friday, 25 May 2018 (or as soon thereafter as the Second Court Meeting shall have concluded or been adjourned), for purposes of considering and, if thought fit, approving the Scheme Resolutions and any adjournment of such meeting;
<b>"Ghana"</b>	the Republic of Ghana;
<b>"Group"</b>	prior to the Second Scheme Effective Time, Old Mutual plc and its subsidiaries and subsidiary undertakings from time to time (other than the Quilter plc Group); and on, and after, the Second Scheme Effective Time, the Company and its subsidiaries and subsidiary undertakings from time to time;
<b>"Guarantee"</b>	the deed of guarantee entered between the Company and Old Mutual plc dated 27 March 2018, as amended by the parties by a deed of amendment and restatement dated 30 March 2018;
<b>"GWP"</b>	gross written premiums;
<b>"Helpline"</b>	The helpline for questions relating to the Scheme Circular or the completion and return of the Proxy Forms or the Voting Instruction Forms, the details and definitions of which are set out in the Scheme Circular;

<b>"Historical Financial Information of the Company"</b>	the Company's financial information and notes thereto set out in Annexe 3 to this Pre-listing Statement;
<b>"Historical Financial Information of the Old Mutual plc Group for JSE Purposes"</b>	the Old Mutual plc Group financial information, including the consolidated financial information, accounting policies and notes to the consolidated financial information set out in Annexes 1C and 1D to this Pre-listing Statement, which, together with the basis of preparation set out in Annexe 1A, jointly forms the Historical Financial Information of the Old Mutual plc Group for the purpose of Admission of the Company to the JSE;
<b>"Historical Financial Information of the Old Mutual plc Group"</b>	the Historical Financial Information of the Old Mutual plc Group for JSE Purposes and Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes;
<b>"Historical Financial Information of the Old Mutual plc Group for PD Regulation Purposes"</b>	the Old Mutual plc Group financial information including the consolidated financial information, accounting policies and notes to the consolidated financial information set out in Annexe 1C to this Pre-listing Statement which, together with the basis of preparation set out in Annexe 1B, jointly forms the Historical Financial Information of the Old Mutual plc Group prepared in accordance with the UK Prospectus Regime for the purpose of the UK Admission;
<b>"Historic Nedbank Relationship Agreement"</b>	the relationship agreement entered into between Old Mutual plc and Nedbank (known at the time as Nedcor Limited) on 20 February 2004;
<b>"HNA Capital"</b>	HNA Capital (U.S.) Holding LLC;
<b>"HNA SPA"</b>	the share purchase agreement dated 24 March 2017 between Old Mutual plc, OMGUK and HNA Capital (as amended by amendment agreements respectively dated 11 May 2017 and 28 September 2017), a summary of the principal terms of which is set out in Annexe 15 to this Pre-listing Statement;
<b>"Hollard"</b>	Hollard Holdings Proprietary Limited, a private company incorporated under the laws of South Africa with registration number: 1969/008776/07, and its subsidiaries from time to time;
<b>"IFA"</b>	independent financial advisers;
<b>"IFRS"</b>	the International Financial Reporting Standards as issued by the International Financial Standards Reporting Board and the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council;
<b>"IMF"</b>	the International Monetary Fund;
<b>"Income Tax Act"</b>	the South African Income Tax Act, 58 of 1962 (as amended);
<b>"Indemnity Agreement"</b>	the indemnity agreement between Old Mutual plc, Fidelity and Guaranty Life Insurance Company, United States Fidelity and Guaranty Company, St. Paul Fire and Marine Insurance Company and Travelers Companies Inc. dated 28 September 2001 in terms of which Old Mutual plc agrees 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 Fidelity & Guaranty Life Insurance Company ("F&G"), which obligations include a guarantee issued by the Travelers Guarantors, since released by F&G, the liability under which is limited to \$480 million;
<b>"Insurance Act"</b>	the South African Insurance Act, 18 of 2017;
<b>"Intellectual Property Deed"</b>	the intellectual property deed entered into or to be entered into by Quilter plc and Old Mutual plc;
<b>"Investec"</b>	Investec Limited, a public company incorporated under the laws of South Africa with registration number: 1925/002833/06;
<b>"ISIN"</b>	international securities identification number;
<b>"IT"</b>	information technology;
<b>"Joint Financial Advisers"</b>	Merrill Lynch International and Rothschild;
<b>"JSE"</b>	the exchange operated by JSE Limited under the FMA;
<b>"JSE Limited"</b>	JSE Limited, a public company incorporated under the laws of South Africa with registration number: 2005/022939/06, licensed to operate as an exchange under the FMA;

<b>"JSE Listings Requirements"</b>	the listings requirements issued by the JSE under the FMA to be observed by issuers of equity securities listed on the JSE (as amended);
<b>"JSOP Trustee"</b>	Nedgroup Trust Limited, a company registered in Guernsey with registration number 10624 and its registered office address at PO Box 192, Fairbairn House, Rohais, St Peter Port, Guernsey, GY13LT;
<b>"Kenya"</b>	the Republic of Kenya;
<b>"Key Performance Indicators"</b>	alternative performance measures that are not measures defined by IFRS and that are used by the Group to provide greater insight into the financial performance, financial position and cash flows of the Group and the way it is managed. A list of the Key Performance Indicators is set out on page 131;
<b>"King Code"</b>	the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance for South Africa, 2016;
<b>"Last Practicable Date"</b>	16 April 2018;
<b>"LatAm"</b>	the business of the Group operated in Latin America;
<b>"LatAm and Asia"</b>	the business of the Group operated in Latin America and China;
<b>"Liberty"</b>	Liberty Holdings Limited, a public company incorporated under the laws of South Africa with registration number: 1968/002095/06, and its subsidiaries, from time to time;
<b>"Life and Savings"</b>	the line of business that includes protection products, guaranteed annuities and savings products invested in guaranteed, smoothed and underwritten funds and life wrapped savings/investment products;
<b>"Lily Purchaser"</b>	Lily Bermuda Capital Limited, an exempted company duly incorporated in Bermuda with registration number 52766, owned by CMI – a Singapore subsidiary of China Minsheng Investment Group (for purposes of the AIVA SPA, OMLAH SPA and the JSE Listings Requirements the Lily Purchaser's address is at Canons Court, 22 Victoria Street, Hamilton, HM 12, Bermuda);
<b>"LSE"</b>	the securities exchange operated by the London Stock Exchange plc under the FSMA;
<b>"LTI Act"</b>	the South African Long-term Insurance Act, 52 of 1998 (as amended);
<b>"LTIP"</b>	the long-term incentive plan adopted by the Company;
<b>"LTIR"</b>	the long-term return that the Company assumes can realistically be earned on its investible shareholder assets when calculating AOP. LTIR rates are reviewed annually and reflect the returns expected on chosen asset classes;
<b>"Major Subsidiary"</b>	the major subsidiary (as defined in the JSE Listings Requirements) of the Company (as it will exist following the Second Scheme Effective Time), being OMLACSA;
<b>"Malawi"</b>	the Republic of Malawi;
<b>"Malawian Register"</b>	the Malawian branch of the Company's share register maintained in Malawi on behalf of the Company by the Malawian Registrar;
<b>"Malawian Registrar"</b>	the National Bank of Malawi (Financial Management Services Department) incorporated and registered in Malawi with registered number 1428 and its registered office address at National Bank Head Office, 7 Henderson Street, Blantyre;
<b>"Malawi Stock Exchange"</b>	the exchange operated by the Malawi Stock Exchange Limited;
<b>"Malawi Stock Exchange Limited"</b>	the securities exchange operated by Malawi Stock Exchange Limited under the Malawian Securities Act, 2010 (as amended) and the Malawian Companies Act, 2013 (as amended), and licensed under the Malawian Financial Services Act, 2010 (as amended);
<b>"Malawi Stock Exchange Listings Requirements"</b>	the listings requirements issued by Malawi Stock Exchange Limited;
<b>"Managed Separation"</b>	the managed separation of the 4 largely independent businesses within the Old Mutual plc Group as it existed at 11 March 2016;
<b>"MCEV"</b>	market consistent embedded value;
<b>"Merrill Lynch"</b>	collectively, Merrill Lynch International and Merrill Lynch South Africa;
<b>"Merrill Lynch International"</b>	Merrill Lynch International, a private company incorporated under the laws of England and Wales with registration number: 02312079;



<b>"Merrill Lynch South Africa"</b>	Merrill Lynch South Africa Proprietary Limited, a private company incorporated under the laws of South Africa with registration number: 1995/001805/07;
<b>"MK"</b>	Malawian Kwacha;
<b>"MMI"</b>	MMI Holdings Limited, a public company incorporated under the laws of South Africa with registration number: 2000/031756/06, and its subsidiaries, from time to time;
<b>"Moody's"</b>	Moody's Investor Services Inc.;
<b>"MTN"</b>	MTN Group Limited, a public company incorporated under the laws of South Africa with registration number: 1994/009584/06;
<b>"Mutual &amp; Federal"</b>	Mutual & Federal Insurance Company Limited, renamed to Old Mutual Insure Limited, a public company incorporated under the laws of South Africa with registration number: 1970/006619/06;
<b>"Namibia"</b>	the Republic of Namibia;
<b>"Namibian Register"</b>	the Namibian branch of the Company's principal share register maintained on behalf of the Company in Namibia by the Namibian Registrar;
<b>"Namibian Registrar"</b>	Transfer Secretaries Proprietary Limited, a public company incorporated under the laws of Namibia with registration number: 93/713;
<b>"Namibian Stock Exchange"</b>	Namibian Stock Exchange, an exchange licensed in terms of the Namibian Stock Exchanges Control Act, 1 of 1985 (as amended);
<b>"Namibian Stock Exchange Limited"</b>	Namibian Stock Exchange Limited, a company incorporated under the laws of Namibia and licensed annually with the Namibia Financial Institutions Supervisory Authority;
<b>"Namibian Stock Exchange Listings Requirements"</b>	the listings requirements issued by Namibian Stock Exchange Limited;
<b>"NAV"</b>	net asset value;
<b>"NCA"</b>	the South African National Credit Act, 34 of 2005 (as amended);
<b>"NCCF"</b>	net client cash flows;
<b>"Nedbank"</b>	Nedbank Group Limited (formerly Nedcor Limited), a public company incorporated under the laws of South Africa with registration number: 1966/010630/06, its subsidiaries and associated companies, as the context may require;
<b>"Nedbank Limited"</b>	Nedbank Limited, a company registered in South Africa with registration number 1951/000009/06;
<b>"Nedbank Unbundling"</b>	the unbundling of a portion of the Group's interest in Nedbank to the Shareholders such that the Group retains a minority shareholding of 19.9% of the issued share capital of Nedbank in shareholder funds;
<b>"Nedbank Unbundling Record Time"</b>	the record time set for the Nedbank Unbundling;
<b>"NED Share Purchase"</b>	the purchase of the Quilter NED Shares by certain of the non-executive Old Mutual plc directors and Quilter plc directors pursuant to the NED Share Purchase Agreement;
<b>"NED Share Purchase Agreement"</b>	a share purchase agreement dated 19 April 2018 pursuant to which certain of the non-executive Old Mutual plc directors and Quilter plc directors have agreed to purchase the Quilter NED Shares on the date of the Quilter Admission from Old Mutual plc at the Quilter Share Sale Price or, in the absence of any Quilter Share Sale, at the closing price of the Quilter Shares on the date of the Quilter Admission;
<b>"New Nedbank Relationship Agreement"</b>	the relationship agreement entered into between the Company and Nedbank on or around the date of this Pre-listing Statement;
<b>"Nigeria"</b>	the Federal Republic of Nigeria;
<b>"NMT Capital"</b>	NMT Capital Proprietary Limited, a private company incorporated under the laws of South Africa with registration number: 2002/007019/07;
<b>"NMT Group"</b>	collectively, NMT Capital and NMT Group Proprietary Limited, a private company incorporated under the laws of South Africa with registration number: 2006/038662/07;

<b>"Offer"</b>	the offer (by or on behalf of the Company or an Employer Company) of an Award to an Eligible Employee;
<b>"Old Mutual Alternative Investments"</b>	Old Mutual Alternative Investments Holdings Proprietary Limited, a private company incorporated under the laws of South Africa with registration number: 2014/120008/07;
<b>"Old Mutual Finance"</b>	Old Mutual Finance (RF) Proprietary Limited, a private company incorporated under the laws of South Africa with registration number: 1993/002279/07;
<b>"Old Mutual Insure"</b>	Old Mutual Insure Limited, formerly Mutual & Federal, a public company incorporated under the laws of South Africa with registration number: 1970/006619/06;
<b>"Old Mutual plc "</b>	Old Mutual plc, a public company incorporated under the laws of England and Wales with registration number: 3591559;
<b>"Old Mutual plc A Shares"</b>	A ordinary shares of 11 <sup>3</sup> / <sub>7</sub> pence each in the capital of the Company having the rights set out in the new Article 3.6 adopted pursuant to the Scheme Circular;
<b>"Old Mutual plc Board"</b>	the board of directors of Old Mutual plc;
<b>"Old Mutual plc Group"</b>	Old Mutual plc including its South African and other offshore subsidiaries as it exists prior to the implementation of the Schemes;
<b>"Old Mutual plc Head Office"</b>	the head office function of Old Mutual plc;
<b>"Old Mutual Investment Group"</b>	Old Mutual Investment Group Holdings Proprietary Limited, a private company incorporated under the laws of South Africa with registration number: 2008/026974/07;
<b>"Old Mutual plc Malawian Register"</b>	the Malawian branch of Old Mutual plc's share register maintained in Malawi on behalf of Old Mutual plc by the Malawian Registrar;
<b>"Old Mutual plc MSIP"</b>	the managed separation incentive plan adopted by Old Mutual plc;
<b>"Old Mutual plc Namibian Register"</b>	the Namibian branch of Old Mutual plc's share register maintained in Namibia on behalf of Old Mutual plc by the Namibian Registrar;
<b>"Old Mutual plc Register"</b>	the register of members of Old Mutual plc, comprising the Old Mutual plc UK Register, Old Mutual plc SA Register, Old Mutual plc Namibian Register, Old Mutual plc Malawian Register, and Old Mutual plc Zimbabwean Register;
<b>"Old Mutual plc SA Register"</b>	the South African branch of Old Mutual plc's share register maintained in South Africa on behalf of Old Mutual plc by the SA Registrar;
<b>"Old Mutual plc Separation Agreement"</b>	the agreement recording certain terms upon which the Quilter plc Demerger is to be effected and upon which relations between Quilter plc and Old Mutual plc and their respective subsidiaries shall be governed subject to, and following the Quilter plc Demerger, a summary of the principal terms of which is set out in Annexe 15 of this Pre-listing Statement;
<b>"Old Mutual plc Shareholders"</b>	the holders of Old Mutual plc Shares;
<b>"Old Mutual plc Shares"</b>	the ordinary shares with a nominal value of 11 <sup>3</sup> / <sub>7</sub> pence each in the capital of Old Mutual plc;
<b>"Old Mutual plc UK Only Register"</b>	the Old Mutual plc UK Register excluding the Namibian section of such register;
<b>"Old Mutual plc UK Register"</b>	Old Mutual plc's principal share register maintained in the UK on behalf of Old Mutual plc by the UK Registrar;
<b>"Old Mutual plc Zimbabwean Register"</b>	the Zimbabwean branch of Old Mutual plc's share register maintained in Zimbabwe on behalf of Old Mutual plc by the Zimbabwean Registrar;
<b>"Old Mutual South Africa"</b>	the operations of the Group in South Africa, excluding Nedbank and Old Mutual Insure;
<b>"Old Mutual Specialised Finance"</b>	Old Mutual Specialised Finance Proprietary Limited, a private company incorporated in accordance with the laws of South Africa with registration number 1998/013266/07;
<b>"Old Mutual Wealth (SA)" or "Wealth (SA)"</b>	Old Mutual Wealth Proprietary Limited, a private company incorporated in accordance with the laws of South Africa with registration number 2011/134187/07;
<b>"Old Mutual Zimbabwe"</b>	Old Mutual Zimbabwe Limited, a public company incorporated under the laws of Zimbabwe with registration number: 5684/1998;
<b>"OMAM"</b>	Old Mutual Asset Management plc, a public company incorporated under the laws of England and Wales with registration number: 9062478;

<b>"OMBN Nominee"</b>	Old Mutual (Blantyre) Nominees Limited, incorporated and registered in Malawi with registered number 5253 and its registered office address at Old Mutual Building, Glyn Jones Road, Blantyre;
<b>"OMBN Nominee Register"</b>	the register of beneficial entitlements to Old Mutual plc Shares or Ordinary Shares (as the context may require), maintained by the OMBN Nominee;
<b>"OM BV"</b>	Old Mutual (Netherlands) B.V., incorporated and registered in the Netherlands with registered number 33.304.445 and its registered office address at Luna Arena, Herikerbergweg 182, 1101 CM Amsterdam;
<b>"OMCREAM"</b>	Old Mutual Corporate Real Estate Asset Management Proprietary Limited, a private company incorporated under the laws of South Africa with registration number: 2014/123488/07;
<b>"OMGH"</b>	Old Mutual Group Holdings (SA) Proprietary Limited, a private company incorporated under the laws of South Africa with registration number: 1998/012276/07;
<b>"OMGI"</b>	Old Mutual Global Investors Holdings Limited;
<b>"OMGUK"</b>	OM Group (UK) Limited, a private company incorporated under the laws of England and Wales with registration number: 3591572;
<b>"OMLACSA"</b>	Old Mutual Life Assurance Company (South Africa) Limited, a public company incorporated under the laws of South Africa with registration number: 1999/004643/06;
<b>"OMLAH"</b>	OM Latin America Holdco UK Limited, registration number 6404271, a company duly incorporated under the laws of England and Wales;
<b>"OMLAH SPA"</b>	the sale of shares agreement entered into between OMSA and Lily Purchaser on 15 March 2018 in relation to the sale of shares in OMLAH (ie the operations in Colombia and Mexico);
<b>"OML Separation Agreement"</b>	the agreement recording certain terms upon which the Quilter plc Demerger is to be effected and upon which relations between Quilter plc and the Company and their respective subsidiaries shall be governed subject to, and following the Quilter plc Admission, a summary of the principal terms of which is set out in Annexe 15 of this Pre-listing Statement;
<b>"OMNAN Nominee"</b>	Old Mutual (Namibia) Nominees Proprietary Limited, incorporated and registered in Namibia with registration number 99/083 and its registered office address at 11th Floor, Mutual Tower, 223 Independence Avenue, Windhoek;
<b>"OMNAN Nominee Participant"</b>	a participant in the OMNAN Nominee facility pursuant to the OMNAN Nominee Terms and Conditions;
<b>"OMNAN Nominee Register"</b>	the register of beneficial entitlements to Old Mutual plc Shares or Ordinary Shares (as the context may require), maintained by the OMNAN Nominee;
<b>"OMNAN Nominee Terms and Conditions"</b>	the terms and conditions under which the OMNAN Nominee provides the OMNAN Nominee facility, as amended from time to time, described in "Part XV – Incorporation and Share Capital – Trading and Settlement – Explanation of the principal OMNAN Nominee Terms and Conditions", a copy of which is available on Old Mutual plc's website at <a href="http://www.oldmutualplc.com">www.oldmutualplc.com</a> and the Company's website at <a href="http://www.oldmutual.com">www.oldmutual.com</a> ;
<b>"OM Portfolio Holdings"</b>	OM Portfolio Holdings (South Africa) Proprietary Limited, incorporated and registered in South Africa with registration number 1997/005928/07 and its registered office address at Mutualpark, Jan Smuts Drive, Pinelands, 7405;
<b>"OMSA"</b>	Old Mutual (South Africa) Holdings Proprietary Limited, a private company incorporated under the laws of South Africa with registration number: 2007/025582/07 also the South African businesses of Emerging Markets (excluding Nedbank) as the context may require;
<b>"OMSAN Nominee"</b>	Old Mutual (South Africa) Nominees (RF) Proprietary Limited, incorporated and registered in South Africa with registration number 1999/004976/07 and its registered office address at Mutualpark, Jan Smuts Avenue, Pinelands, 7405;
<b>"OMSAN Nominee Participant"</b>	a participant in the OMSAN Nominee facility pursuant to the OMSAN Nominee Terms and Conditions;
<b>"OMSAN Nominee Register"</b>	the register of beneficial entitlements to Old Mutual plc Shares or Ordinary Shares (as the context may require), maintained by the OMSAN Nominee;

<b>"OMSAN Nominee Terms and Conditions"</b>	the terms and conditions under which the OMSAN Nominee provides the OMSAN Nominee facility, as amended from time to time, described in "Part XV – Incorporation and Share Capital – Trading and Settlement – Explanation of the principal OMSAN Nominee Terms and Conditions", a copy of which is available on Old Mutual plc's website at <a href="http://www.oldmutualplc.com">www.oldmutualplc.com</a> and the Company's website at <a href="http://www.oldmutual.com">www.oldmutual.com</a> ;
<b>"OMUT"</b>	Old Mutual Unit Trusts Managers (RF) Proprietary Limited, a private company incorporated under the laws of South Africa with registration number 1965/008471/07;
<b>"OMZN Nominee"</b>	Old Mutual Zimbabwe Nominees (Private) Limited, incorporated and registered in Zimbabwe with corporate registration number 2170/1999 and its registered office address at Mutual Gardens, 100 The Chase West, Emerald Hill, Harare;
<b>"Ordinary Shares"</b>	ordinary shares of no par value constituting part of the authorised ordinary share capital of the Company;
<b>"Overseas Shareholders"</b>	Shareholders outside of England, Malawi, Namibia, South Africa or Zimbabwe;
<b>"Participant"</b>	an Eligible Employee who: <ul style="list-style-type: none"> <li>(i) is Offered an Award in terms of an Company Share Plan; and</li> <li>(ii) has accepted, or is deemed to have accepted, the Offer of the Award in accordance with the provisions of that Company Share Plan,</li> </ul> and thereby becomes subject to the terms and conditions of the relevant Company Share Plan and Trust Deed, and includes (i) an Eligible Employee who initially meets these requirements but who thereafter ceases to be an Eligible Employee but who is entitled to and continues to participate in the Company Share Plan and (ii) the executor of an Eligible Employee's deceased estate;
<b>"PD Regulation"</b>	Prospectus Directive Regulation EC 809/2004;
<b>"Performance Condition"</b>	means, in respect of the LTIP, a condition other than an Employment Condition, as specified in the Award Letter;
<b>"PFA"</b>	the South African Pension Funds Act, 24 of 1956 (as amended);
<b>"Phantom Award"</b>	a Forfeitable Phantom Award or a Conditional Phantom Award, as the case may be;
<b>"Phantom Award Cash Payment"</b>	the cash amount, if any, to be paid, subject to Vesting, to a Participant in terms of the Settlement provisions of the relevant Company Share Plan;
<b>"POPI Act"</b>	the South African Protection of Personal Information Act, 4 of 2013 (as amended);
<b>"premium listing"</b>	a listing by the FCA by virtue of which a company is subject to the full requirements of the UK Listing Rules;
<b>"Pre-listing Statement"</b>	this combined prospectus and pre-listing statement consisting of all documents contained in this bound document, including the annexes hereto dated 20 April 2018, prepared in accordance with the JSE Listings Requirements and the UK Prospectus Rules as well as, to the extent applicable, the Malawi Stock Exchange Listings Requirements, the Namibian Stock Exchange Listings Requirements and the Zimbabwe Stock Exchange Listings Requirements;
<b>"Pro forma Financial Information of the Group for JSE purposes"</b>	the <i>pro forma</i> financial information and detailed notes thereto set out in Annexe 5C to this Pre-listing Statement which, together with the basis of compilation set out in Annexe 5A to this Pre-listing Statement, jointly forms the <i>Pro forma</i> Financial Information of the Group for the purpose of Admission to the JSE;
<b>"Pro forma Financial Information of the Group"</b>	the <i>pro forma</i> financial information of the Group for JSE purposes and <i>pro forma</i> financial information of the Group for PD Regulation Purposes;
<b>"Pro forma Financial Information of the Group for PD Regulation Purposes"</b>	the unaudited <i>pro forma</i> financial information and detailed notes thereto set out in Annexe 5C to this Pre-listing Statement which, together with the basis of compilation set out in Annexe 5B to this Pre-listing Statement, jointly forms the <i>Pro forma</i> Financial information of the Group prepared in accordance with the UK Prospectus Regime for the purpose of the UK Admission;
<b>"Property and Casualty"</b>	the line of business that includes all short-term general and health insurance;
<b>"Proposals"</b>	(i) the Quilter plc Demerger, (ii) the acquisition of Old Mutual plc by the Company and the issue of Ordinary Shares to Old Mutual plc Shareholders pursuant to the Schemes, and (iii) the Nedbank Unbundling;
<b>"Protection Act"</b>	the UK Data Protection Act of 1998 (as amended);

<b>"Prudential Authority"</b>	the juristic person operating within the administration of the SARB and established in terms of section 32 of the FSR Act;
<b>"PVNBP"</b>	present value of new business premiums;
<b>"Quilter plc"</b>	Old Mutual Wealth plc, a public company under the laws in England and Wales with registration number: 01680071;
<b>"Quilter plc Admission"</b>	<ul style="list-style-type: none"> <li>(i) admission of all of the issued Quilter plc Shares to the premium segment of the UK Official List and to trading on the main market for listed securities of the LSE; and</li> <li>(ii) admission, as a secondary listing, in accordance with the JSE Listings Requirements, of all of the issued Quilter plc Shares on the JSE;</li> </ul>
<b>"Quilter plc Demerger"</b>	the proposed demerger of Quilter plc Group from the Old Mutual plc Group by way of distribution of 86.6% of the total issued Quilter plc Shares to Old Mutual plc Shareholders on the terms and subject to the conditions set out in the Old Mutual plc Separation Agreement;
<b>"Quilter plc Group"</b>	Quilter plc and its subsidiaries and subsidiary undertakings from time to time;
<b>"Quilter plc Prospectus"</b>	the prospectus prepared by Quilter plc in accordance with the UK Prospectus Regime and the JSE Listings Requirements and published in relation to Quilter plc Group and the Quilter plc Shares;
<b>"Quilter plc Share Sale"</b>	the offer by Old Mutual plc of up to 9.6% of the total issued Quilter plc Shares to institutional investors, as more particularly described in the Quilter plc Prospectus;
<b>"Quilter plc Shares"</b>	the ordinary shares in the capital of Quilter plc;
<b>"Quilter plc UK Platform Transformation Programme"</b>	The Quilter plc Wealth Solutions IT transformation, as described in the Quilter plc Prospectus;
<b>"Rand" and "R"</b>	the lawful currency of South Africa;
<b>"RBZ"</b>	Reserve Bank of Zimbabwe;
<b>"Register"</b>	the register of members of the Company, comprising the Malawian Register, the Namibian Register, the SA Register, the UK Register and the Zimbabwean Register;
<b>"Related Party Transaction"</b>	<p>for purposes of the Related Party Transaction Committee, a transaction or transactions to be concluded between:</p> <ul style="list-style-type: none"> <li>(i) related or inter-related persons (as defined in terms of the Companies Act); and</li> <li>(ii) related parties (as defined in the JSE Listings Requirements),</li> </ul> <p>forming part of the Group and including, but not limited to, loans, guarantees, outsourcing arrangements, reinsurance arrangements, asset transfers and investments;</p>
<b>"Related Party Transaction Committee"</b>	the Related Party Transaction committee of the Company;
<b>"Remuneration Committee"</b>	the remuneration committee of the Board, the members of which do not hold any executive office within the Group, which is charged with the administration of all or part of the Company Share Plans, and/or any other committee of the Board, or person(s), charged from time to time by the Board with the administration of all or part of the Company Share Plans;
<b>"Residual plc"</b>	the operations that will remain as subsidiaries or business units of Old Mutual plc after the implementation of the Schemes, being Bermuda, OMGUK and its subsidiaries, Old Mutual Business Service Limited, OM Seed Investments (UK) Limited and Old Mutual (Netherlands) BV and the Old Mutual plc Head Office;
<b>"Resolutions"</b>	the resolutions, as set out in the notice of General Meeting in Part XIV of the Scheme Circular, to be proposed at the General Meeting;
<b>"Responsible Business Committee (Incorporating Social and Ethics)"</b>	the responsible business committee (incorporating social and ethics) of the Company;
<b>"Rest of Africa"</b>	the Group's operations in the rest of Africa;
<b>"Reviewed General Purpose Financial Statements"</b>	the reviewed general purpose consolidated financial statements of the Old Mutual plc Group for the years ended 31 December 2016 and 2015;
<b>"Risk Committee"</b>	the risk committee of the Company;
<b>"RoNAV"</b>	return on net asset value;

<b>"Rothschild"</b>	Rothschild (South Africa) Proprietary Limited, a private company incorporated under the laws of South Africa, with registration number: 1999/021764/07;
<b>"Rwanda"</b>	the Republic of Rwanda;
<b>"SADC"</b>	the Southern African Development Community (excluding South Africa);
<b>"SAICA"</b>	the South African Institute of Chartered Accountants;
<b>"SAM"</b>	Solvency Assessment and Management, the new solvency regime being introduced in South Africa for assessing and managing solvency for insurers and groups that include insurers, as described in more detail in "Part VII – Regulatory Considerations";
<b>"Sanlam"</b>	Sanlam Limited, a public company incorporated under the laws of South Africa with registration number: 1959/001562/06, and its subsidiaries, from time to time;
<b>"Santam"</b>	Santam Limited, a public company incorporated under the laws of South Africa with registration number: 1918/001680/06;
<b>"SARB"</b>	the South African Reserve Bank;
<b>"SARS"</b>	the South African Revenue Service;
<b>"SA Register"</b>	the Company's principal share register maintained in South Africa on behalf of the Company by the SA Registrar;
<b>"SA Registrar"</b>	Link Market Services South Africa Proprietary Limited, a private company incorporated under the laws of South Africa with registration number: 2000/007239/07;
<b>"Schemes"</b>	the First Scheme and the Second Scheme;
<b>"Scheme Circular"</b>	the document to be dispatched to Old Mutual plc Shareholders, including the particulars required by section 897 of the UK Companies Act and incorporating the notices of the First Court Meeting, the Second Court Meeting and General Meeting;
<b>"Scheme Participants"</b>	the Old Mutual plc Shareholders participating in the Schemes, who will obtain Ordinary Shares in the Company pursuant to the Schemes;
<b>"SCR"</b>	solvency capital requirements;
<b>"Second Court Meeting"</b>	the meeting of the Scheme Participants convened by order of the Court pursuant to section 896 of the UK Companies Act to consider and, if thought fit, approve the Second Scheme, including any adjournment thereof;
<b>"Second Scheme"</b>	the second scheme of arrangement between Old Mutual plc and Old Mutual plc Shareholders to effect the acquisition of Old Mutual plc by the Company and the issue of Ordinary Shares to Old Mutual plc Shareholders, in its present form or with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Old Mutual plc and the Company;
<b>"Second Scheme Court Hearing"</b>	the hearing by the Court to confirm the Cancellation of Capital;
<b>"Second Scheme Effective Time"</b>	6.30 p.m. on Monday, 25 June 2018;
<b>"Second Scheme Record Time"</b>	6.00 p.m. on Monday, 25 June 2018 on the date the Second Scheme becomes effective in accordance with its terms;
<b>"Securities Act"</b>	the US Securities Act of 1933 (as amended);
<b>"SECZ"</b>	The Securities and Exchange Commission of Zimbabwe;
<b>"Senior Management"</b>	those members of the management bodies of the Group who are identified in "Part VIII – Management and Corporate Governance – Directors and Senior Management – Senior Management";
<b>"Separated Businesses"</b>	OMAM, Quilter plc and Nedbank;
<b>"Separation Agreements"</b>	together, the Old Mutual plc Separation Agreement, the OML Separation Agreement, the Tax Matters Agreement, the SUKL SPA, the Intellectual Property Deed and the Transitional Trade Mark Licence Agreement;
<b>"Settlement"</b>	<ul style="list-style-type: none"> <li>(i) in relation to Share Settled Awards, registration of an Ordinary Share in the Participant's or her/his CSDP's name in the Register following Vesting; and</li> <li>(ii) in relation to Phantom Awards, the payment of the relevant Phantom Award Cash Payment which has Vested;</li> </ul>
<b>"Shareholders"</b>	the holders of Ordinary Shares from time to time;

<b>"Share Settled Awards"</b>	the Awards which are Settled in Ordinary Shares, being Forfeitable Share Awards and Conditional Share Awards;
<b>"Skandia"</b>	Skandia International;
<b>"South Africa"</b>	the Republic of South Africa;
<b>"South Sudan"</b>	the Republic of South Sudan;
<b>"Special Distribution"</b>	a transfer by the Company to all or substantially all of the Shareholders (in their capacity as such and <i>pro rata</i> to their shareholdings as at the record date to participate therein) of: <ul style="list-style-type: none"> <li>(i) an asset other than cash; or</li> <li>(ii) cash which transfer is (or to the extent to which it is) unusual as to timing and/or quantum, or is otherwise described by the Board as a "special distribution" or "special dividend";</li> </ul>
<b>"Sponsors"</b>	collectively, Merrill Lynch South Africa, being the JSE sponsor, Stockbrokers Malawi Limited, being the Malawi Stock Exchange sponsor, PSG Wealth Management (Namibia) Proprietary Limited, being the Namibian Stock Exchange sponsor and Imara Edwards Securities (Pvt), being the Zimbabwe Stock Exchange sponsor;
<b>"Standard &amp; Poor's"</b>	Standard & Poor's Credit Market Services Europe Limited;
<b>"standard listing"</b>	a listing by the FCA by virtue of which a company is not subject to the full requirements of the UK Listing Rules;
<b>"STI Act"</b>	the South African Short-term Insurance Act, 53 of 1998 (as amended);
<b>"Strate"</b>	an electronic settlement environment for transactions to be settled and transfer of ownership to be recorded electronically, operated by Strate Proprietary Limited, a private company incorporated under the laws of South Africa with registration number: 1998/022242/07, and a registered central securities depository in terms of the FMA and responsible for the electronic custody and settlement system used by the JSE;
<b>"Strate Nominee"</b>	PLC Nominees Proprietary Limited, a company indirectly wholly owned by Strate, acting as nominee for the holders of Old Mutual plc Shares or Ordinary Shares (as the context may require) in Uncertificated Form on the Old Mutual plc SA Register or SA Register (as the context may require);
<b>"Strate Nominee Register"</b>	the register of Old Mutual plc Shareholders or Shareholders (as the context requires) holding in Uncertificated Form on the Old Mutual plc SA Register or SA Register (as the context requires), in each case maintained by the Strate Nominee;
<b>"Strate System"</b>	the system operated for dealings in Uncertificated securities listed on the JSE that take place on the JSE and for dealings in Certificated securities listed on the JSE that take place off market;
<b>"Strate System Rules"</b>	the depository rules, directives, regulations and notices issued by Strate from time to time (as amended);
<b>"Swaziland"</b>	the Kingdom of Swaziland;
<b>"SUKL"</b>	Skandia UK Limited, incorporated and registered in the United Kingdom with registration number 03087634 and its registered office address at Millennium Bridge House, 2 Lambeth Hill, London, England, EC4V 4GG;
<b>"SUKL SPA"</b>	the share purchase agreement dated 30 January 2018 between Old Mutual plc and Quilter plc, a summary of the principal terms of which is set out in Annexe 15 to this Pre-listing Statement;
<b>"Takeover Regulations"</b>	the Takeover Regulations promulgated by the Minister of Trade and Industry in terms of sections 120 and 223 of the Companies Act;
<b>"Tanzania"</b>	the United Republic of Tanzania;
<b>"Tax Matters Agreement"</b>	the tax matters agreement entered into between Old Mutual plc and Quilter plc on 12 April 2018, a summary of the principal terms of which is set out in Annexe 15 to this Pre-listing Statement;
<b>"Technology and Platforms Committee"</b>	the technology and platforms committee of the Company;
<b>"Togo"</b>	the Republic of Togo;

<b>"Transactions"</b>	the Quilter plc Demerger, the Quilter plc Admission, the Quilter plc Share Sale, the Second Scheme, the Admissions and the Nedbank Unbundling;
<b>"Transitional Trade Mark Licence Agreement"</b>	the transitional trade mark licence agreement entered into by Old Mutual plc, OMLACSA and Quilter plc, a summary of the principal terms of which is set out in "Part XIX – Managed Separation" and in Annexe 15 to this Pre-listing Statement;
<b>"Trust"</b>	a trust(s) selected from time to time by the Remuneration Committee to hold Ordinary Shares forming the subject matter of Forfeitable Share Awards, or in relation to which Conditional Share Awards are granted;
<b>"Trust Deed"</b>	means a trust deed of a Trust, as amended from time to time;
<b>"Trustees"</b>	the trustees of a Trust holding office as such from time to time in terms of or pursuant to the relevant Trust Deed. Executive Directors are not entitled to be trustees of an ESOP/ LTIP Trust unless the JSE agrees otherwise;
<b>"UAP"</b>	UAP Holdings Limited, a public company incorporated under the laws of Kenya, under registration number: c.3/2012;
<b>"Uganda"</b>	the Republic of Uganda;
<b>"UK Admission"</b>	the admission of the Ordinary Shares to the standard listing segment of the UK Official List and to trading on the LSE's main market for listed securities;
<b>"UK Companies Act"</b>	the UK Companies Act 2006 (as amended);
<b>"UK Custodian"</b>	Wealth Nominees Limited, a company incorporated and registered in England and Wales with registered number 06744390 and its registered office address at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in its capacity as custodian for holders of Company DIs;
<b>"UK Depositary"</b>	Equiniti Financial Services Limited, incorporated and registered in England and Wales with registered number 06208699 and its registered office address at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in its capacity as depositary for holders of Old Mutual Limited DIs;
<b>"UK Disclosure Guidance and Transparency Rules"</b>	the disclosure guidance and transparency rules made by the FCA pursuant to section 73A of the FSMA;
<b>"UKLA Rules"</b>	together, the UK Listing Rules, the UK Prospectus Rules and the UK Disclosure Guidance and Transparency Rules;
<b>"UK Listing Authority" or "UKLA"</b>	the FCA acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;
<b>"UK Listing Rules"</b>	the rules and regulations made by the FCA in its capacity as the UK Listing Authority under FSMA, and contained in the UKLA's publication of the same name;
<b>"UK Official List"</b>	the official list of the UK Listing Authority;
<b>"UK Only Register"</b>	the UK Register excluding the Namibian section of such register;
<b>"UK Prospectus Regime"</b>	the UK Prospectus Rules, together with the PD Regulation and the requirements of the UKLA;
<b>"UK Prospectus Rules"</b>	the prospectus rules made by the FCA pursuant to Part VI of the FSMA, referred to in section 73A(4) of the FSMA and contained in the FCA's publication of the same name;
<b>"UK Register"</b>	the Company's branch register maintained in the UK on behalf of the Company by the UK Registrar;
<b>"UK Registrar"</b>	Equiniti Limited, a private company incorporated under the laws of England and Wales with registration number: 06226088;
<b>"Uncertificated" or "in Uncertificated Form"</b>	<ul style="list-style-type: none"> <li>(i) in relation to UK Shareholders, recorded on the UK Only Register as being held in uncertificated form in CREST and title to which, by virtue of the Uncertificated Securities Regulations, may be transferred by means of CREST;</li> <li>(ii) in relation to SA Shareholders, recorded on the SA Register as being held in uncertificated form in the Strate System and title to which, by virtue of the South African Companies Act, the South African FMA and the Strate System Rules, may be transferred by means of the Strate System; and</li> <li>(iii) in relation to Zimbabwean Shareholders, recorded on the Zimbabwean Register as being held in uncertificated form in the Zimbabwean CSD and title to which, by virtue of the Zimbabwean Securities and Exchange Act, may be transferred by means of the Zimbabwean CSD;</li> </ul>



<b>"Underlying Shareholders"</b>	a holder of a beneficial entitlement to Old Mutual plc Shares, or Ordinary Shares, as the context requires;
<b>"United Kingdom" or "UK"</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>"United States" or "US"</b>	the United States of America;
<b>"USD" or "\$"</b>	the lawful currency of the United States;
<b>"US Holder"</b>	a beneficial owner of Ordinary Shares that is, for US federal income tax purposes: <ul style="list-style-type: none"> <li>(i) a citizen or resident of the United States;</li> <li>(ii) a corporation created or organised under the laws of the United States or any state thereof;</li> <li>(iii) an estate the income of which is subject to US federal income tax without regard to its source; or</li> <li>(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 US persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for US federal income tax purposes;</li> </ul>
<b>"Vest"</b>	in relation to an Award (or part of an Award) held by a Participant, the Participant becomes entitled to Settlement in relation to that Award (or that part of that Award);
<b>"Vesting Date"</b>	the date on which an Award Vests;
<b>"VNB"</b>	value of new business;
<b>"Voting Record Time"</b>	6.00 p.m. London time on the day which is 2 days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the day which is 2 days before the date of such adjourned meeting;
<b>"Zimbabwe"</b>	the Republic of Zimbabwe;
<b>"Zimbabwean CSD"</b>	the Central Securities Depository, operated by CDCL, being an electronic clearing and settlement environment for securities transactions on the Zimbabwe Stock Exchange;
<b>"Zimbabwean Custodian"</b>	a registered custodian and licensee of the SECZ under the Zimbabwean Securities and Exchange Act, Chapter 24:25 (as amended) being the custodian of the dematerialised shares deposited in the Zimbabwean CSD and tradable on the Zimbabwe Stock Exchange;
<b>"Zimbabwean Nominee"</b>	the Zimbabwean Super Nominee or the OMZN Nominee as the context requires;
<b>"Zimbabwean Nominee Register"</b>	the register of beneficial entitlements to Old Mutual plc Shares or Ordinary Shares (as the context may require), maintained by the relevant Zimbabwean Nominee;
<b>"Zimbabwean Register"</b>	the Zimbabwean branch of the Company's share register maintained in Zimbabwe on behalf of the Company by the Zimbabwean Registrar;
<b>"Zimbabwean Registrar"</b>	Corpserve Share Transfer Secretaries (Private) Limited, a private company incorporated under the laws of Zimbabwe with registration number: 9988/97;
<b>"Zimbabwe Stock Exchange"</b>	the Zimbabwe Stock Exchange, established under the Zimbabwe Stock Exchange Act Chapter 24:18, as subsequently repealed and replaced by Chapter 24:25 of the Zimbabwean Securities Act, 17 of 2004 (as amended);
<b>"Zimbabwe Stock Exchange Listings Requirements"</b>	the listings requirements issued by Zimbabwe Stock Exchange Limited, required to be observed by issuers of securities listed on the Zimbabwe Stock Exchange (as amended); and
<b>"Zimbabwean Super Nominee"</b>	Corpserve Nominees (Private) Limited, incorporated and registered in Zimbabwe with corporate registration number 2421/2015 and its registered office at 2nd Floor, ZB Centre, Corner of 1st Street and Kwame Nkrumah Avenue, Harare, being a wholly-owned subsidiary of the Zimbabwe Registrar.

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