OLDMUTUAL

REVIEWED PRELIMINARY ANNUAL RESULTS

For the year ended 31 December 2018

DO GREAT THINGS EVERY DAY

JSE Sponsor:	**Merrill Lynch South Africa (Pty) Limited**
Namibia Sponsor:	**PSG Wealth Management (Namibia) (Proprietary) Limited**

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CAUTIONARY STATEMENT

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

NOTES TO EDITORS

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

South Africa Neotel	+27 11 535 3600
South Africa Telkom	+27 10 201 6800
UK	+44 33 3300 1418
USA and Canada	+1 508 924 4326

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

ABOUT OLD MUTUAL LIMITED

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

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

CALENDAR OF EVENTS 2019

29 MARCH 2019	Publication of Integrated Report
29 MARCH 2019	Publication of audited annual financial statements
24 MAY 2019	AGM (Annual General Meeting)
Q3 2019	Interim Results Announcement
Q4 2019	Investor showcase

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

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

STRATEGIC DELIVERY

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

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

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

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

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

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

FINANCIAL RESULTS

HEADLINE EARNINGS (HE)

R14,241 million

(FY 2017: R13,144 million)

IFRS PROFIT AFTER TAX ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

R36,566 million

(FY 2017: R14,372 million)

RESULTS FROM OPERATIONS (RFO)

R9,963 million

(FY 2017: R10,367 million)

ADJUSTED HEADLINE EARNINGS (AHE)

R11,512 million

(FY 2017: R12,947 million)

AHE PER SHARE

239.1 cents per share

(FY 2017: 271.1 cents per share)

FINAL DIVIDEND

72 cents per share

RONAV

18.6%

(FY 2017: 22.9%)

GROUP SOLVENCY RATIO

170%

(FY 2017: 161%)

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RESULTS PRESENTATION

NOTES:

AGENDA

1	2018 OVERVIEW	Peter Moyo, Group CEO
2	FINANCIAL REVIEW	Casper Troskie, Group CFO
3	CONCLUDING REMARKS	Peter Moyo, Group CEO
4	Q&A	

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NOTES:

2018 – A YEAR OF DELIVERY AND EXECUTION

- ✓ **Progress on our eight battlegrounds**
- ✓ **Managed Separation** activities and transactions completed
- ✓ **On track to deliver** against our medium term targets, although some headwinds ahead

Delivered in a **sustainable and responsible** way

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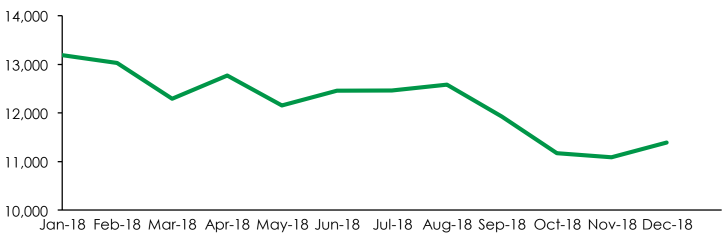
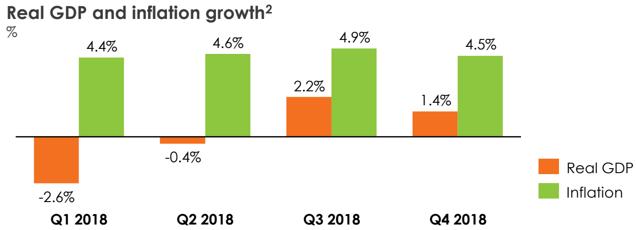
NOTES:

IMPACT OF THE SOUTH AFRICA MACRO ENVIRONMENT

Equity market levels [1]



Real GDP and inflation growth[2]



1. Market levels represents the JSE Shareholder Weighted Index (SWIX)
2. Real GDP growth is seasonally adjusted and calculated on a quarter-on-quarter (QoQ) annualised basis

Source: Bloomberg

Impact on our business

- Closing equity market levels down 14%[1] in 2018
- Average FUM levels in SA of R957 billion, up 3%, supported by strong NCCF

Impact on our customers

- Low GDP growth, low real wage growth and higher VAT rate putting pressure on levels of disposable income
- Reduction in propensity to save

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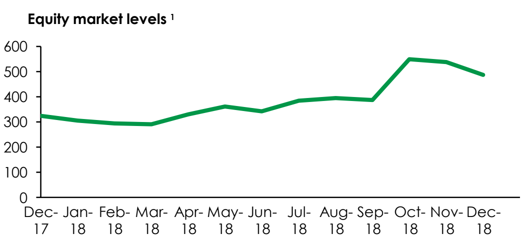
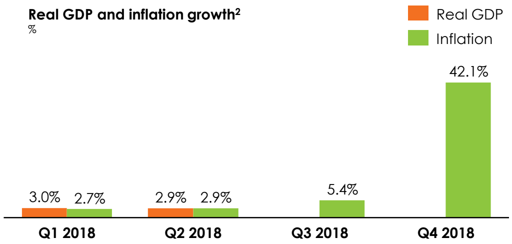
NOTES:

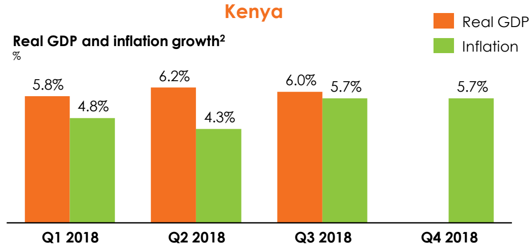
OVERVIEW OF THE REST OF AFRICA MACRO ENVIRONMENT

Zimbabwe

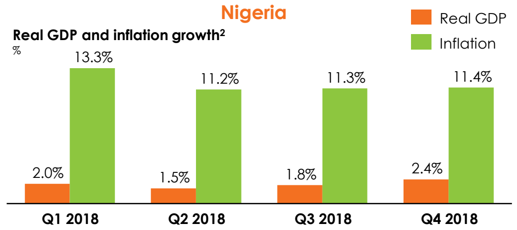




Kenya



Nigeria



1. Market levels Equity market level represents the Zimbabwe Industrial Index
2. Real GDP growth is not seasonally adjusted and is calculated on a year-on-year (YoY) basis

Source: Bloomberg

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NOTES:

DELIVERING AGAINST OUR MEDIUM TERM TARGETS

	KPI	Target	Performance 2018	
RETURNS	RoNAV	Average COE[1] + 4%	18.6%	✓
GROWTH	Results from operations	CAGR of Nominal GDP + 2%	Down 4%	✗
EFFICIENCY	Cost efficiencies	**R1 billion by end 2019** pre-tax run-rate cost savings	R750 million	✓
	Underwriting result	Old Mutual Insure **underwriting margin of 4%-6%**	5.3%	✓
CAPITAL	Solvency	**Old Mutual Limited:** 155%-175% **OMLACSA:** Greater than 200%	**Old Mutual Limited:** 170% **OMLACSA:** 225%	✓
CASH RETURNS	Dividend cover	Target cover **1.75 to 2.25x**	Ordinary dividend cover of 2.04x 1.10x including special dividend	✓

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1. Cost of Equity (COE) = 13.4%

NOTES:

ATTRACTIVE CAPITAL RETURNS IN 2018 AND BEYOND

R45.9 billion distributed in 2018
930 cents per share

At least R5.6 billion to be distributed in 2019

Total value

Interim dividend	Special dividend	Nedbank unbundling	Final dividend	Share buyback	
R2.2 billion 45 cents per share	**R4.9 billion** 100 cents per share	**R38.8 billion**[1] 785 cents per share	**R3.6 billion** 72 cents per share	**R2 billion** 40 cents per share[2]	**R51.5 billion** 1,042 cents per share

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1. 158,726,732 shares at closing price on 12 October of R244.87
2. Calculated as R2 billion divided by number of issued shares outstanding at 31 December 2018 (4,942 million)

NOTES:

SOLID PROGRESS ON OUR BATTLEGROUNDS

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NOTES:

DEFEND AND GROW SA MARKET SHARE IN MASS MARKET

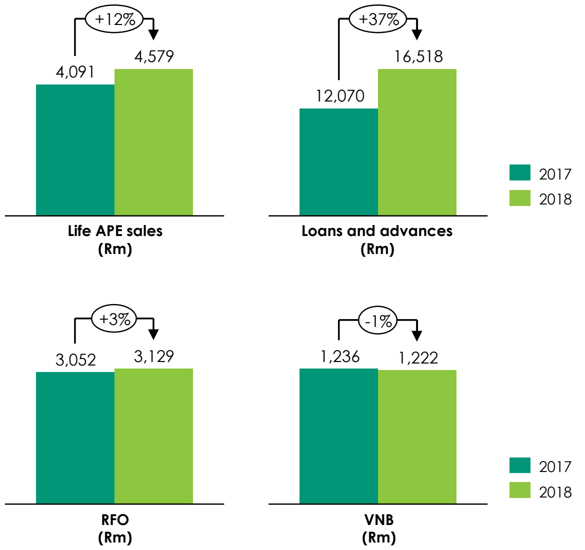
Strong sales despite economic headwinds

- Life APE sales up 12% due to higher average adviser headcount and improved productivity
- Loans and advances up 37% due to higher consultant productivity, customer take-on enhancements and improved scorecard

Growing distribution footprint

- Opened 25 new branches in 2018 to 348
- 211,000 active money accounts, up 67%, 1 million money accounts opened to date

Reduced claim pay out times – claims initiated via the Money Account app or call centre **paid in 4 hours**



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NOTES:

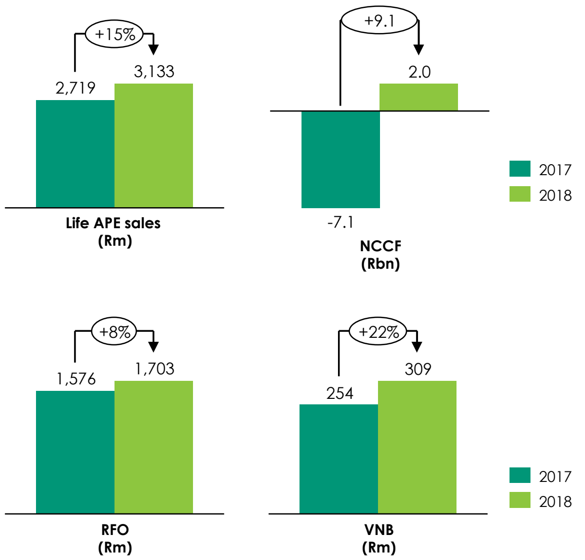
DEFEND AND GROW SA MARKET SHARE IN CORPORATE MARKET

Excellent flows in competitive environment

- Life APE sales up 15% - reflects good growth across all major product lines except annuities
- NCCF improved following new mandates secured and improved termination experience

Launch of new self service portal for Old Mutual SuperFund customers

Good profit growth as a result of **management actions** and **resolution of risk exposures**



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NOTES:

DEFEND AND GROW IN SA PERSONAL FINANCE MARKET

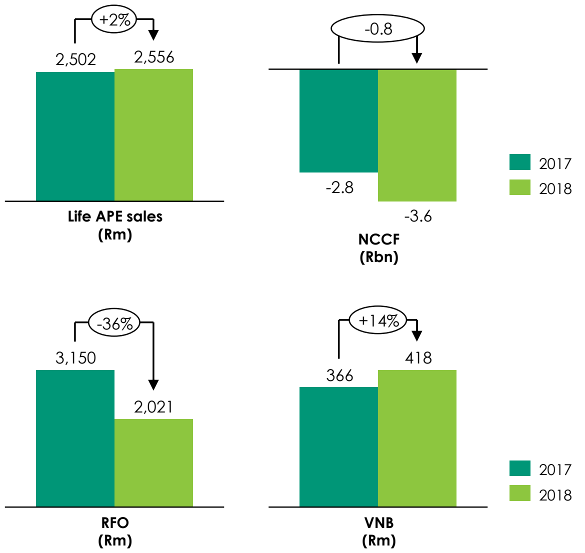
Stable Life APE sales, decline in NCCF

- Good growth in single premium and annuity sales
- Lower recurring premium savings sale, risk flat
- NCCF weaker due to poor claims experience and higher disinvestments

Distribution channels generated gross flows of over R69.2 billion, R37.2 billion reported in Wealth and Investments

Increased focus on digital sales channels

Profit lower due to **lower year on year reserve releases** and **poor mortality and morbidity experience**



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NOTES:

IMPROVE THE COMPETITIVENESS OF WEALTH AND INVESTMENTS

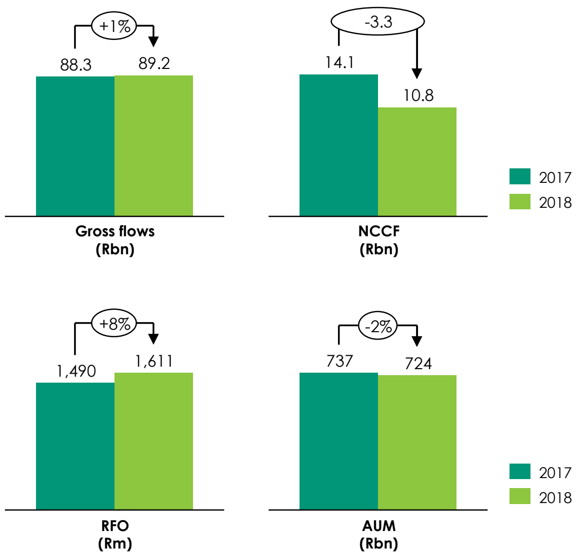
Strong flows in difficult market and competitor environment

- Strong retail flows in Old Mutual International and on the Wealth platform
- Positive NCCF supported by excellent retail flows (up 35%). Outflows in Alternatives following asset realisations and low margin terminations by multi-managers internalising indexation capabilities

Improved investment performance

Good profit growth and **operating margin of 32%,** demonstrating strength of diversified earnings stream

Khaya Gobodo appointed as MD



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NOTES:

CONTINUED TURNAROUND OF OLD MUTUAL INSURE

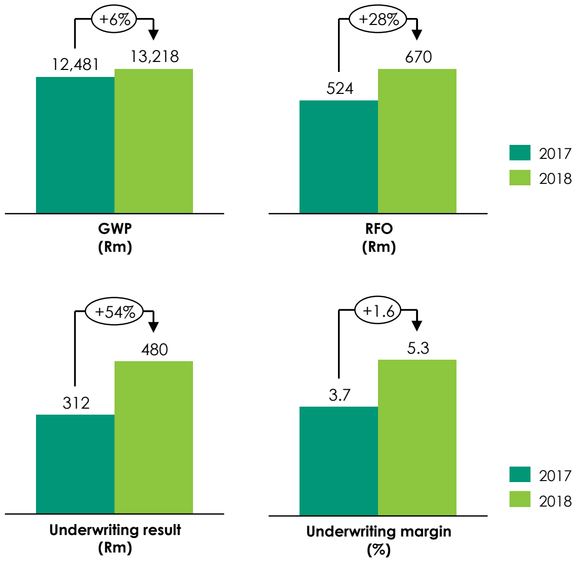
Modest Gross Written Premium (GWP) growth in challenging market conditions

- Growth driven by pricing improvements
- Increase in flows through strategic partnerships
- Strong growth in iWyze

Underwriting margin maintained at upper end of our range – 5.3% for 2018 vs target of 4%-6%

Significant increase in RFO given low claims experience, especially in H1 2018 and tight expense management

Garth Napier appointed as MD



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NOTES:

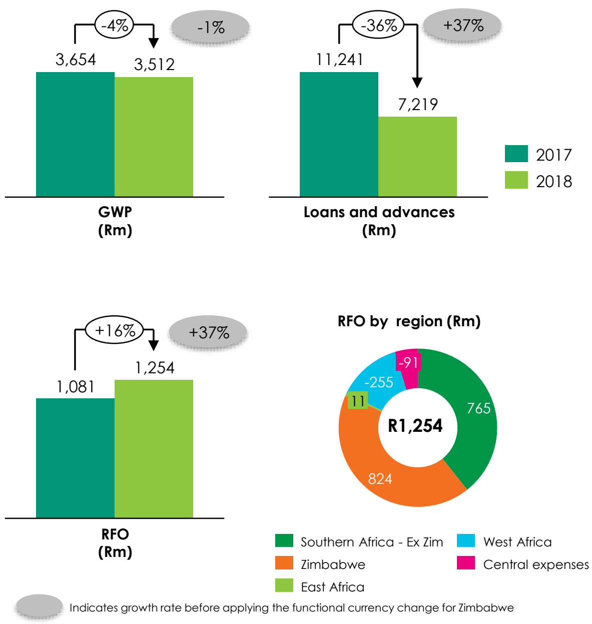
TURNAROUND EAST AFRICAN BUSINESS AND IMPROVE RETURNS ACROSS ROA

Mixed top line growth reflects difficult economic environment

- **Southern Africa** – gross flows flat despite impact of recession in Namibia. Large non life inflows secured in Malawi
- **East Africa** – Life sales up 23% due to improved productivity. Gross Written Premium (GWP) down 2% due to increased competitor activity and tough economic environment
- **West Africa** – gross flows up 13% reflecting higher non life sales in Ghana. Life sales and GWP impacted by slower than expected rollout in Ecobank

Increase in RFO reflects robust profits in Southern Africa and evidence of turnaround in some markets

Zimbabwe – RFO impacted by functional currency change



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NOTES:

WIN THE WAR FOR TALENT

Built a diverse, engaged and talented Executive team to lead the organisation

Executive team build completed with appointments of Khaya Gobodo and Garth Napier

Transformed and renewed executive team

Diversity of age, experience, gender and race

- Average age of our Executive team has reduced
- Youngest member is **37**

Extensive engagement with our employees to drive required culture shifts

Engaged **10,000 employees** through face to face and mobile campaign, approximately a third of our employees

Committed to embed the desired culture shifts required to transform the organisation. We are building teams that are:

- Delivery orientated
- Customer centric
- Externally competitive

Investing in leadership development and youth talent programmes to build future generation of our leadership

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NOTES:

REFRESH THE TECHNOLOGY OFFERING

Launched MyOldMutual, our new secure customer portal, on cloud infrastructure	Rapid adoption of **AI technologies** including robotic process and system automations	Deliver in line with our **customers' changing wants and needs**	**Simplified** and **digital enabled** advice tools
What it meant for our customers			
Customers have access to **34 digital products.** **New** digital products include: ▪ Online funeral policy ▪ Online life insurance ▪ Self service portal for retirement members ▪ Dream Enabler	▪ 64 bots in production ▪ 1.4 million minutes of processing time saved ▪ 250k cases automated Leading to **quicker turnaround** and **improved customer experience**	Deliberate **shift in our culture to better serve customers** and intermediaries	On track to launch **refreshed protection proposition** in H1 2019

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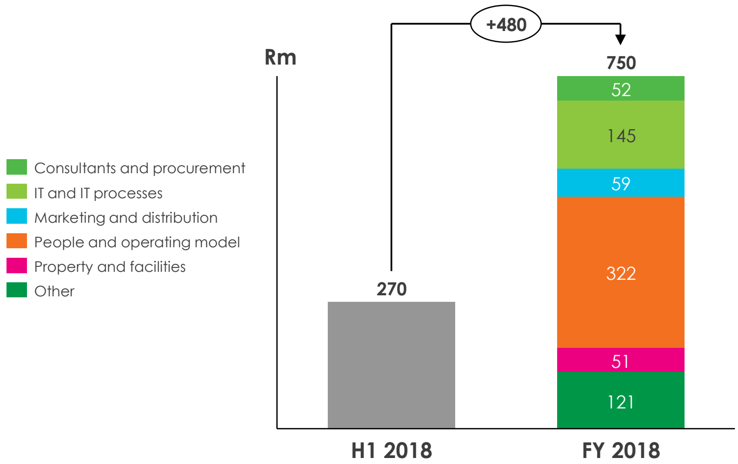
NOTES:

COST EFFICIENCY LEADERSHIP



R750 million of gross recurring savings achieved in 2018, on track **for R1 billion in 2019** and expect to **maintain expense growth within inflation thereafter**

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NOTES:

NOTES:

KEY REPORTING JUDGEMENTS IN 2018

Zimbabwe functional currency	▪ Change in functional currency to RTGS applied from 1 October 2018 ▪ Estimated rate of 3.3 RTGS to 1 USD ▪ Material impact on reported profits and net asset value
Nedbank and Quilter	▪ IFRS profits include profits of R23.2 billion related to the distribution and unbundling of Quilter and Nedbank respectively ▪ These are one off and excluded from AHE and Headline Earnings but included IFRS profits
Experience variances and assumption changes	▪ Operating variances for IFRS and MCEV are positive ▪ Material positive assumption changes from prior year not repeated
Prudential Standards	▪ Yet to be designated as an insurance group ▪ Approvals for certain methodology choices received and reflected in OMLACSA solvency ratio ▪ Prior year ratio has been adjusted to remove impact of iterative risk margin

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NOTES:

FINANCIAL DELIVERY IN 2018

Headline Earnings	RoNAV	Free surplus generated from operations	Group solvency ratio
R14,241 million	**18.6%**	**R6,585 million**	**170%**
Mainly reflecting lower Residual plc losses	Above COE[1] +4%	Free cash covering dividend payments	Mainly reflecting higher holding company cash and lower Zimbabwe fungibility

Supporting returns to shareholders

1. Cost of Equity (COE) = 13.4%

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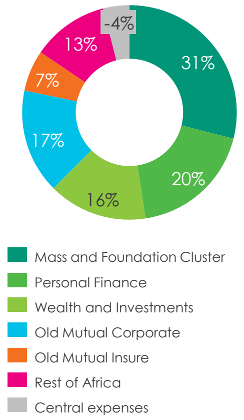
NOTES:

SEGMENT DELIVERY

Rm	FY 2018	FY 2017	% Change	
Mass and Foundation Cluster	**3,129**	3,052	3%	
Personal Finance	**2,021**	3,150	(36%)	
Wealth and Investments	**1,611**	1,490	8%	
Old Mutual Corporate	**1,703**	1,576	8%	
Old Mutual Insure	**670**	524	28%	
Rest of Africa	**1,254**	1,081	16%	+37%
Central expenses	**(425)**	(506)	16%	
Results from operations	**9,963**	10,367	(4%)	-2%

Segment contribution to Results from operations



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Indicates growth rate before applying the functional currency change for Zimbabwe

NOTES:

ADJUSTED HEADLINE EARNINGS

	Rm	FY 2018	FY 2017	% Change	
	Operating segments	**10,388**	10,873	(4%)	
1	Central expenses	**(425)**	(506)	16%	
	Results from operations	**9,963**	10,367	(4%)	
2	Shareholder investment return	**2,880**	4,920	(41%)	
3	Finance cost	**(601)**	(622)	3%	
4	Income from associates	**2,593**	2,305	13%	
	Adjusted headline earnings before tax	**14,835**	16,970	(13%)	
	Shareholder tax	**(2,947)**	(3,535)	17%	
	Non-controlling interest	**(376)**	(488)	23%	
	Adjusted headline earnings	**11,512**	12,947	(11%)	+1%

1. Reflects benefit of cost allocation to segments, offset by increase in costs to establish standalone listed functions
2. SA returns down – weak equity markets, strong equity market returns in Zimbabwe offset by functional currency change
3. Increase in finance costs offset by fair value gains on interest rate swaps
4. Increase driven by higher Nedbank earnings due to ETI turnaround

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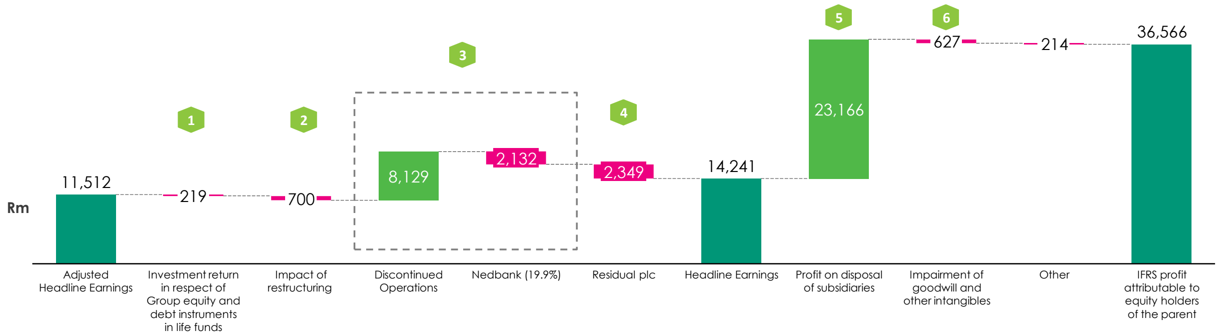
Indicates growth rate before applying the functional currency change for Zimbabwe

NOTES:

AHE TO IFRS PROFIT IN 2018



1. Adds back policyholder returns eliminated in IFRS
2. Managed Separation transaction costs and accelerated vesting
3. Earnings attributable to Nedbank, Quilter and Latin America
4. Largely Managed Separation costs, finance costs and wind down costs
5. Profit on distribution relating to Quilter and Nedbank
6. Impairment of UAP related goodwill and intangibles

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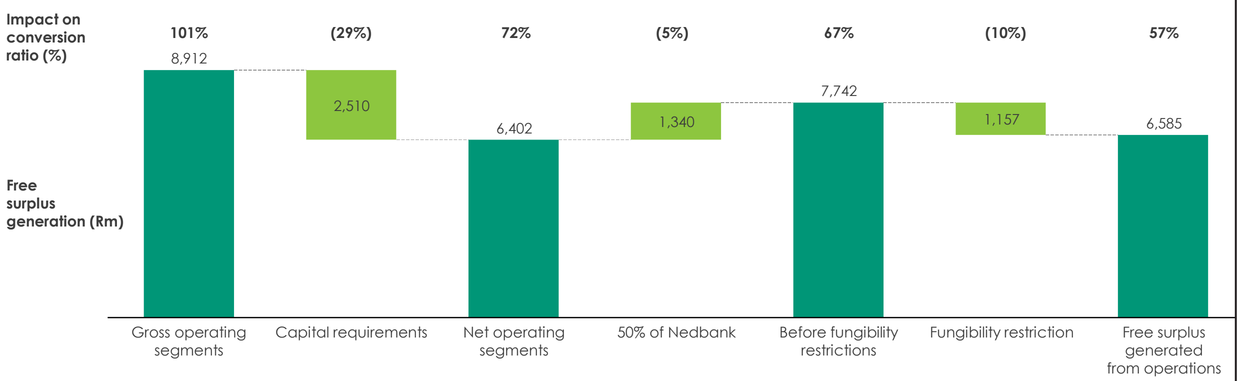
NOTES:

CASH GENERATION IN 2018



- Increase in capital requirements (FY 2017: R2,237m) reflects growth in loans and advances in our Banking and Lending business and a strengthening of capital levels at subsidiary level in our Life and Savings business
- Nedbank cash conversion of 50% in line with their dividend policy
- Earnings related to Zimbabwe reflected as non fungible

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NOTES:

PROGRESS ON BALANCE SHEET SIMPLIFICATION

Latin America

- Majority of regulatory approvals received
- On track to complete in H1 2019
- Proceeds of $308m – transaction, tax and associated costs expected to be $40m

Residual plc

- Dividends of R4.7 billion remitted to OML during 2018
- No outstanding international debt
- Remaining economic value of £221 million
- Wind down of operations materially complete
- Run off of contingent risk will take a few years

Balance sheet simplification driving **cash generation** and **creates flexibility for future investments** and/or **further returns to shareholders**

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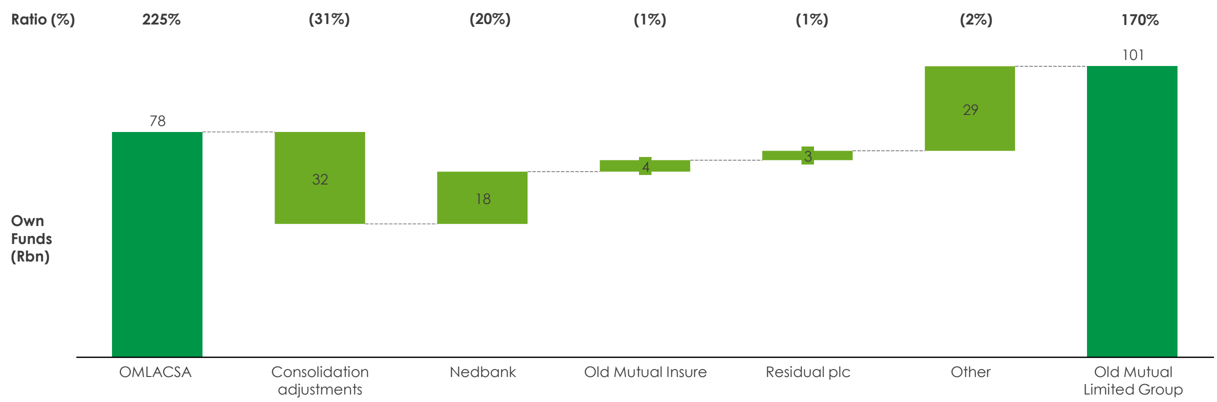
NOTES:

GROUP SOLVENCY POSITION AT 31 DEC 2018



- Strong capital position where risks are managed, even after declared dividends
- Consolidation adjustments mainly related to removing double count of Nedbank and other subsidiaries
- Inclusion of Nedbank on Basel III basis reduces ratio
- Residual plc diluting Group solvency due to fungibility restrictions
- OM Insure included per the standard formula
- Other includes Rest of Africa and non life entities

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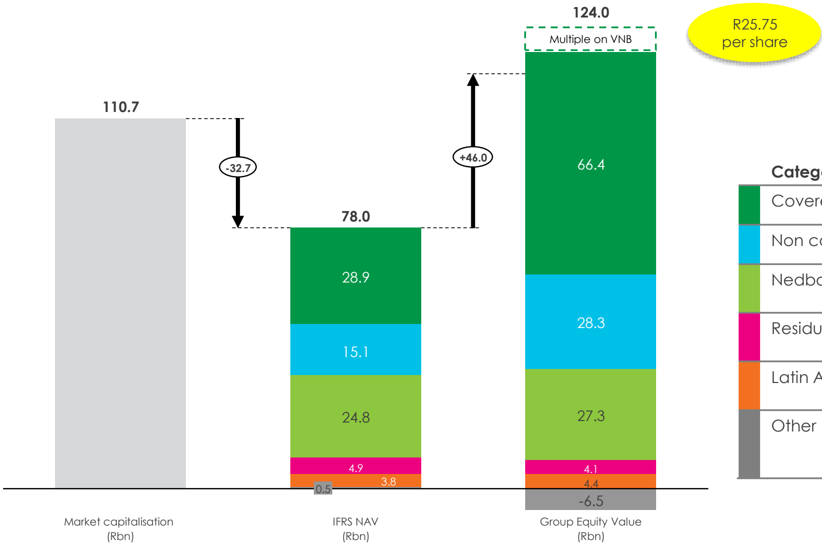
NOTES:

GROUP EQUITY VALUE



Category	Valuation technique	AHE (Rm)
Covered business	Embedded value	6,893
Non covered	Fair value	2,244
Nedbank	Market value	2,681
Residual plc	Economic NAV	n/a
Latin America	Contractual selling price	n/a
Other	Includes holding companies, central costs and debt	n/a

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NOTES:

OUTLOOK ON MEDIUM TERM TARGETS

	KPI	Target	Performance 2018	2019 Outlook
RETURNS	RoNAV	Average COE + 4%	18.6%	Improving
GROWTH	Results from operations	CAGR of Nominal GDP + 2%	Down 4%	Improving but challenging
EFFICIENCY	Cost efficiencies	**R1 billion by end 2019** pre-tax run-rate cost savings	R750 million	On track
	Underwriting result	Old Mutual Insure **underwriting margin of 4%-6%**	5.3%	Upper end of range
CAPITAL	Solvency	**Old Mutual Limited:** 155%-175% **OMLACSA:** Greater than 200%	**Old Mutual Limited:** 170% **OMLACSA:** 225%	Upper end of range
CASH RETURNS	Dividend cover	Target cover **1.75 to 2.25x**	Ordinary dividend cover of 2.04x Cover of 1.10x including special dividend	Within range

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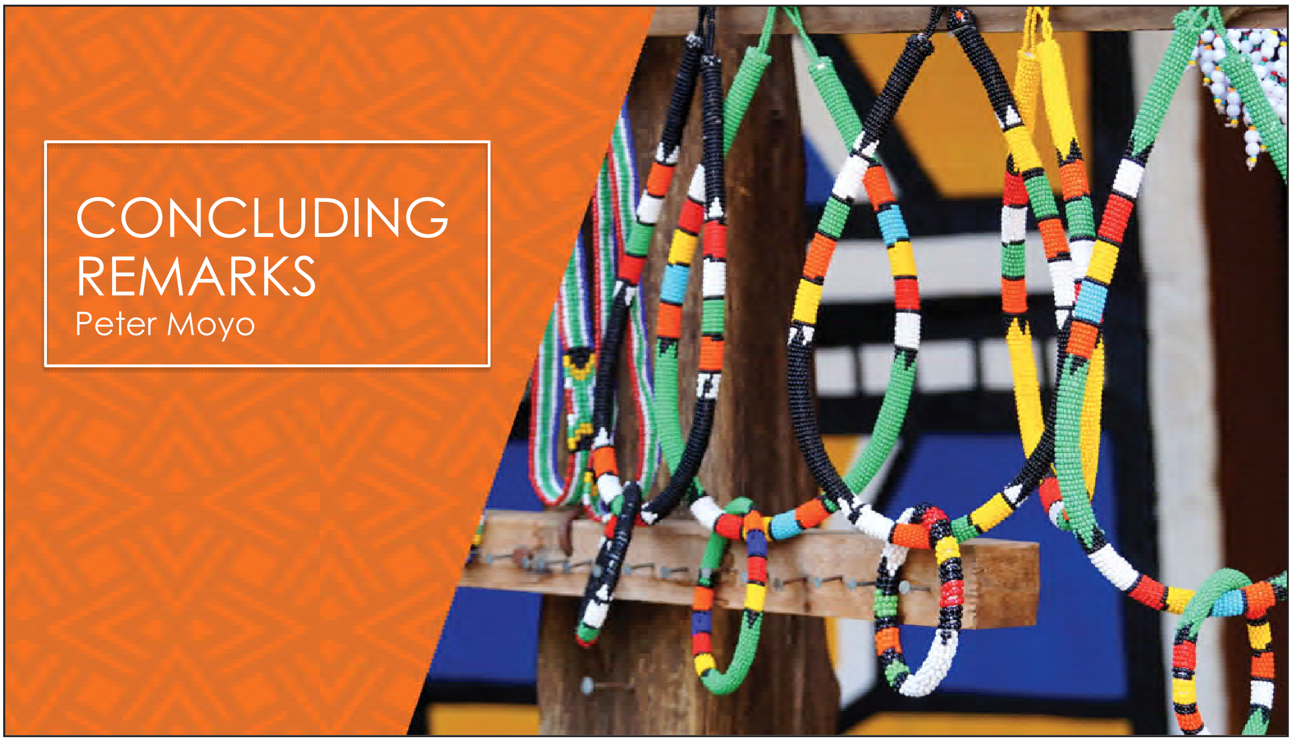
1. Cost of Equity (COE) = 13.4%

NOTES:



NOTES:

RESPONSIBLE BUSINESS UPDATE

Responsible Business

R91.5 billion
paid to customers in claims and benefits

R350 million
invested in Old Mutual Education Flagship programme over 7 years

10 million litres of municipal water
saved per month due to water filtration plant installed at Mutual Park

R23.8 billion
invested in renewable energy

BBBEE score and ownership

Expect to maintain our **Level 2 BBBEE** status

Listing commitments – BBBEE shareholding of **25%** three years after listing and **30%** five years after listing

Work underway to ensure we meet our commitments

ESD commitment

R500 million
allocated to new Enterprise Supplier Development Fund to support small and black-owned businesses

R50m allocated in 2018
to Black Distributors Trust, remaining R450m to be allocated in 2019 and 2020

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NOTES:

2018 – A YEAR OF DELIVERY

- Meeting medium term targets, although some headwinds ahead
- Continued progress on all battlegrounds
- On track to deliver recurring savings of R1 billion in 2019, continue to manage expense growth within inflation thereafter
- IT transformation continuing to deliver at pace in 2019
- Further development of capital allocation and balance sheet simplification
- Managing Zimbabwe, on a ring-fenced basis, for customer and shareholder value
- Build a sustainable and responsible business

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NOTES:

Q&A

NOTES:

NOTES:

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NOTES:

02

MESSAGE FROM THE CEO

MESSAGE FROM THE CEO

> I am pleased with the progress we made on our eight battlegrounds. We delivered particularly good sales and NCCF in a tough economic and competitive environment. We delivered very well against the promises we made to investors. Sadly we did not meet our Results from Operations (RFO) growth target of GDP+2%. We are still confident that we will meet all our targets in the medium term noting that the RFO target will be difficult given the negative growth in 2018.
>
> We have improved our customer experience through digital enhancements and the delivery of key phases of our IT refresh journey. Whilst we continue to see economic headwinds in the near term, our Group is resilient, well capitalised and managing its costs tightly.

PETER MOYO

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

OPERATING ENVIRONMENT

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

Persistently high unemployment rates, a Value Added Tax (VAT) rate increase and fuel hikes contributed to lower real disposable incomes for our retail customers in South Africa. This adversely affected our customer acquisition and persistency, especially in the middle income market. The economic outlook has marginally improved relative to the previous year, when political uncertainty prevailed and credit downgrades led to an even weaker operating environment. Improvements in governance and accountability taking place at State Owned Entities (SOEs) have resulted in some increase in business and consumer confidence. However, investor confidence is still fragile with concerns around government debt levels and policy uncertainty particularly around the proposed policy on land expropriation without compensation.

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

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

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

Message from the CEO (continued)

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

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

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

FINANCIAL PERFORMANCE

We delivered our 2018 financial results in tough economic and market conditions in our key markets. Strong sales and excellent Net Client Cash Flow (NCCF) supported average Funds under Management (FUM) levels which rose in the year. Closing FUM of R1.044 billion declined by 3% from the end of 2017, largely reflecting lower equity market levels in the fourth quarter.

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

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

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

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

The Group solvency ratio[1] increased to 170% (FY 2017: 161%), reflecting the robust capital position of the Group.

OUR BATTLEGROUND SCORECARD REVIEWS

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

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

Mass and Foundation Cluster

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

Old Mutual Corporate

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

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

DEFEND AND **GROW IN THE SOUTH AFRICAN PERSONAL FINANCE MARKET**	• A number of initiatives launched to meet customer needs and enhance our product offering, including the launch of Old Mutual Rewards and enhancements to our savings and risk propositions • Mortality losses stabilised in H2 2018, management actions determined at H1 2018 to improve mortality and morbidity profits are being implemented. We continue to actively monitor the experience in this area • Overall sales were affected by the tough environment but we continue to maintain and grow our position in this market • Distribution channels contributed a total of R69.2 billion in gross flows, R37.2 billion to Wealth and Investments
IMPROVE THE COMPETITIVENESS **OF WEALTH AND INVESTMENTS**	• Improved investment performance across diversified asset base • Strong NCCF and record high transaction activity in Specialised Finance • Made good progress on building our internal distribution capability
CONTINUED TURNAROUND OF OLD MUTUAL INSURE	• Improved underwriting margin, now at upper end of target range • Substantial completion of remediation and claims management processes • Launch of MyOMInsure, a digital platform for claims registration
TURNAROUND EAST AFRICAN BUSINESS **AND IMPROVE RETURNS ACROSS THE REST OF AFRICA**	• Staff reorganisation completed in East Africa during the first half of 2018 to optimise staffing levels and eliminate duplication. This is expected to create savings going forward • Positive RFO delivered by East Africa for the first time since acquisition • Southern Africa continues to generate strong profit growth, particularly in Malawi and Zimbabwe • Appointment of a new Managing Director of West Africa in November 2018 • Launched Dream Enabler, a sales and servicing mobile application
WIN THE WAR FOR TALENT	• Embarked on a cultural transformation journey to align behaviours to our values • Attracting and retaining the talent that we want in the organisation, evident in the appointment of Garth Napier and Khaya Gobodo as Managing Directors of Old Mutual Insure and Wealth and Investments, respectively
REFRESH THE TECHNOLOGY **OFFERING**	• Focused on execution, with protection solutions for Mass and Foundation Cluster and Personal Finance segments expected to be activated during 2019 • Introduced robotics processes and system automations which have improved our customer service turnaround time • Launched MyOldMutual, a new secure customer portal, on cloud infrastructure
COST EFFICIENCY **LEADERSHIP**	• In 2018 we saved approximately R750 million of recurring cost • On track to meet R1 billion target and contain expense growth within inflation thereafter

NEDBANK UNBUNDLING

We completed the distribution of 158,726,732 Nedbank shares worth R38.8 billion to our shareholders in the fourth quarter of 2018. We continue to view our remaining shareholding of 19.9% as a long-term investment and this ownership underpins significant commercial benefits we derive from the continuation of this relationship. During 2018, around R900 million of insurance premiums arose in Old Mutual Limited sourced via the Nedbank distribution channels.

Message from the CEO (continued)

OUR ROLE IN SOCIETY

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

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

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

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

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

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

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

CAPITAL MANAGEMENT, DIVIDENDS AND SHARE BUYBACK

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

For 2018, we have declared a final dividend of 72 cents per share to be paid on 29 April 2019. In accordance with our stated dividend policy, consideration has been given to the Group's underlying cash generation, fungibility of earnings, targeted liquidity and solvency levels, business strategic requirements and market conditions. We paid an interim dividend of 45 cents per share in October 2018 which brings the total ordinary dividend for 2018 to 117 cents per share and is covered 2.04 times by AHE per share. This is in line with our dividend policy. Further details of the timetable for the exchange rate conversion for dividends payable in currencies other than Rand will be communicated in due course.

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

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

OUTLOOK

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

GDP forecast for 2019	
South Africa	1.4%
Sub Saharan Africa	3.5%
Zimbabwe	4.2%
Nigeria	2.0%
Ghana	7.6%
East Africa	6.1% – 7.8%

Source: International Monetary Fund

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

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

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

03

FINANCIAL REVIEW

FINANCIAL REVIEW

GROUP HIGHLIGHTS

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

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

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

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

IMPACT OF THE CHANGE IN FUNCTIONAL CURRENCY OF ZIMBABWE

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

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

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

ACCOUNTING IMPLICATIONS OF MANAGED SEPARATION

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

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

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

ACCOUNTING IMPACT OF ZIMBABWE

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

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

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

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

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

Financial review (continued)

SUPPLEMENTARY INCOME STATEMENT

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

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

A Central Expenses

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

B Shareholder investment return

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

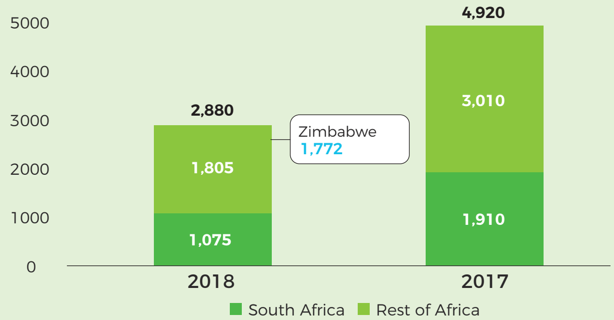
C Finance costs

Finance costs on long term debt, that supports the capital structure of the Group, decreased by 3% to R601 million in 2018 (FY 2017: R622 million). Finance costs related to subordinated debt instruments issued by Old Mutual Insure in November 2017, to the nominal value of R500 million were incurred for the full period contributing to an increase in finance costs. Fair value gains earned on interest rate swaps more than offset the increase in finance costs during the period.

D Income from associates

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

Shareholder Investment Returns (R million)



RECONCILIATION OF AHE TO IFRS PROFIT AFTER TAX

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

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

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

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

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

A Discontinued operations

Nedbank

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

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

Latin America

Profits of our businesses in Latin America increased to R318 million (FY17: R7 million loss). We saw continued good profits as a result of the growth in pension offerings in Colombia and higher asset based fees in Mexico, and good expense management. AIVA profits also grew following reduction in expenses and growth in Funds under Management.

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

Quilter

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

Old Mutual Bermuda

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

B Residual plc

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

IFRS PROFIT AFTER TAX

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

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

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

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

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

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

FREE SURPLUS GENERATION AND UTILISATION

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

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

Operating segments generated gross free surplus of R8,912 million, representing 101% of AHE, demonstrating the high level of cash earnings generated by our businesses. After allowing for capital requirements the free surplus conversion decreases to 72% of AHE, compared to 82% in the prior period. The increase in capital requirements reflects an increase in capital requirements in our Banking and Lending business in line with the increase in Loans and Advances. We also increased the levels of capital held in our Life and Savings businesses during 2018. This increase in capital held at subsidiary level is to ensure that each of our operating subsidiaries has appropriate levels of capital where the risks are managed. In the prior year the amount of capital required benefitted from a release of capital related to the Property and Casualty business as a result of the transition to the Prudential Standards. Nedbank generates free surplus of 50% of AHE, which is in line with their dividend policy of 1.75 – 2.25x covered by Headline Earnings. Cash generated by our business in Zimbabwe is not recognised in our free surplus measure as it is not fungible. The lower cash conversion rate of Nedbank earnings and the fungibility restriction in respect of Zimbabwe earnings reduces the overall group free surplus generation to 57% of AHE.

Financial review (continued)

BALANCE SHEET METRICS

Rbn (unless otherwise indicated)	Note	FY 2018	FY 2017	% change
Operating Segments[1]		**46.0**	43.3	6%
Non-core operations[2]	A	**4.9**	17.2	(72%)
Investment in Associates[3]		**24.8**	–	100%
Assets held for sale or distribution[4]		**4.1**	78.9	(95%)
Consolidation adjustments[5]		**(1.8)**	(2.7)	33%
Equity attributable to ordinary shareholders of the parent		**78.0**	136.7	(43%)
South Africa		**36.3**	31.8	14%
Rest of Africa		**9.7**	11.5	(16%)
Equity attributable to operating segments		**46.0**	43.3	6%
Nedbank at 19.9%[3]		**18.6**	16.4	13%
Closing Adjusted IFRS Equity		**64.6**	59.7	8%
South Africa		**51.4**	45.7	12%
Rest of Africa[6]		**10.7**	10.8	(1%)
Average Adjusted IFRS Equity		**62.1**	56.5	10%
South Africa		**17.8%**	21.0%	(320 bps)
Rest of Africa		**22.0%**	31.1%	(910 bps)
RoNAV	B	**18.6%**	22.9%	(430 bps)
South Africa		**23.2**	22.2	5%
Rest of Africa		**11.3**	14.4	(22%)
Invested Shareholder Assets[7]	C	**34.5**	36.6	(6%)
Gearing ratio[8]	D	**12.5%**	13.0%	50 bps
Interest cover		**25.7**	28.3	(9%)

1 *Comprises of the net asset value of the operating segments of the Group. This net asset value forms the basis for key balance sheet metrics on which the Group is managed from a capital perspective, and is the same perimeter on which AHE is presented.*
2 *Comprises mostly of the net asset value of Old Mutual plc of R4.9 billion at 31 December 2018 (R15.1 billion at 31 December 2017) and Old Mutual Bermuda of R50 million at 31 December 2018 (R2.1 billion at 31 December 2017).*
3 *Per IFRS requirements, we recorded our remaining stake in Nedbank at fair value on the date of unbundling. For purposes of calculating RoNAV, our stake in Nedbank is included at net asset value in Closing Adjusted IFRS equity.*
4 *Comprises of the net asset value of assets classified as held for sale which includes Latin America. 54% of Nedbank and Quilter's net asset value is included in the comparative period.*
5 *Consolidation adjustments reflect own shares held by consolidated investment funds, which are treated as treasury shares under IFRS.*
6 *Average Adjusted IFRS Equity for Rest of Africa, before the functional currency change, is R13.4 billion for FY 2018.*
7 *The prior period has been re-presented to better reflect management's view of invested shareholder assets.*
8 *Gearing ratios are calculated based on the IFRS equity attributable to operating segments. As such this excludes equity related to non-core entities and assets held for sale*

Capital management

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

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

In term of capital demand, RoNAV serves as the Group's key capital efficiency measure for directing capital investments. We aim to maximize shareholder value by deploying capital to entities and initiatives that are able to deliver a RoNAV that supports the Group achieving its target of cost of equity +4%.

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

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

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

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

A Residual plc

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

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

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

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

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

B RoNAV

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

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

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

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

C Invested Shareholder Assets

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

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

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

Financial review (continued)

D Gearing

Gearing ratios as calculated for the Group exclude the equity and debt relating to non-core and assets held for sale and distribution. The gearing ratio decreased by 50 bps in 2018 mainly due an increase of R2,698 million or 6% in equity attributable to operating segments. The increase is largely a result of a dividend of R4,681 million (£255 million) received from Residual plc in addition to operating profits. This was partially offset by higher dividends paid to external shareholders, considering the special dividend of 100 cents per share, and the impact of IFRS 9 – Financial Instruments which results in higher day one provisions for expected credit losses. Interest cover decreased to 25.7 times (FY 2017: 28.3 times) mainly as a result of a decrease of 11% in AHE from the prior period.

EMBEDDED VALUE

The table below sets out the components of embedded value.

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

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

Positive experience variances, which increased by R253 million compared to the prior period, coupled with improved expense variances had a positive impact on Operating EV earnings. This was partially offset by worse claims experience in Personal Finance. Persistency experience improved during the year, but remained negative reflecting the continued challenges created by the macro environment. Overall claims experience was positive despite the unfavourable experience in Personal Finance. Poor group disability experience in Old Mutual Corporate with some improvement during the period. Recurring expenses remained lower than assumed, reflecting continued progress in achieving our cost efficiency targets across the business. Investment returns on equities were significantly lower than in 2017, resulting in a negative investment variances compared to positive variances in the prior year.

SOLVENCY

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

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

The Insurance Act came into effect on 1 July 2018 and to date we have not yet been designated as an Insurance Group. For OMLACSA we have presented our best estimate of the solvency ratio based on approvals received from the Prudential Authority to date. The Group solvency ratio is presented consistent with the disclosure in the pre-listing statement, except for the use of the iterative risk margin approach in calculating solvency capital requirements.

The increase of the Group solvency ratio to 170% at December 2018, was largely due the remittance of dividends from Old Mutual plc to Old Mutual Limited and the change in the functional currency in Zimbabwe. The change in the functional currency for Zimbabwe reduces its contribution to the Group, increasing the solvency ratio. Own Funds of Zimbabwe are deemed non-fungible, and therefore only an amount equal to its Solvency Capital Requirement is taken into account for the Group solvency ratio. As at 31 December 2018, the Group was and is expected to remain financially sound on a regulatory basis for the foreseeable future.

OUTLOOK

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

Financial review (continued)

DIVIDEND DECLARATIONS

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

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

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

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

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

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

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

SHARE REPURCHASE

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

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

04

SEGMENT REVIEWS

SEGMENT REVIEWS

MASS AND FOUNDATION CLUSTER REVIEW

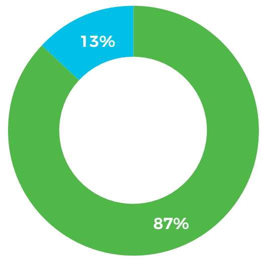
DEFEND AND GROW OUR SHARE OF THE SOUTH AFRICAN MASS MARKET

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

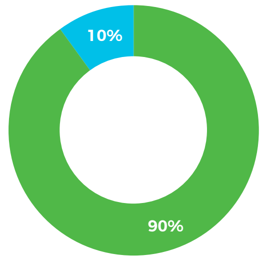
We opened 25 new branches in 2018 increasing our total retail branch network to 348. Improved sales force productivity has translated into strong life and loan sales growth, even though challenging market conditions persisted in H2 2018. Old Mutual Money Account remains one of the most competitive transactional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

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

2018 – RFO by LOB (%)



2017 – RFO by LOB (%)



Life and Savings[1] Banking and Lending

1. *Includes credit life profits.*

PERFORMANCE HIGHLIGHTS

Gross flows increased by 14% to R13,700 million due to strong life sales and annual premium increases on in-force book, combined with good growth in savings flows into Money Accounts. Life APE sales of R4,579 million showed strong growth of 12%, despite the expected moderation that took place in H2 2018 due to continued pressure on the consumer. The increase in life sales is largely due to growth in adviser headcount and productivity, premium increases and higher credit life sales off the back of growth in loans disbursed, which contributed to a R0.4 billion or 7% increase in NCCF to R6.5 billion. The retail branch network contributed 30% of Life APE sales and continues to deliver better persistency and productivity experience than other distribution channels.

Gross loans and advances increased by 37% to R16,518 million. Process enhancements in terms of customer take-on increased consultant productivity and we deployed a more risk sensitive scorecard that aligned the market offering in terms of loan size and term to the risk profile of our customer base. This allowed us to better compete, and achieve significant growth, in lower risk scored customers while keeping overall loan approval rates consistent with prior years. After taking into account growth in disbursements in 2018, we still have less than 10% of the unsecured lending market and we see opportunities for further market share growth.

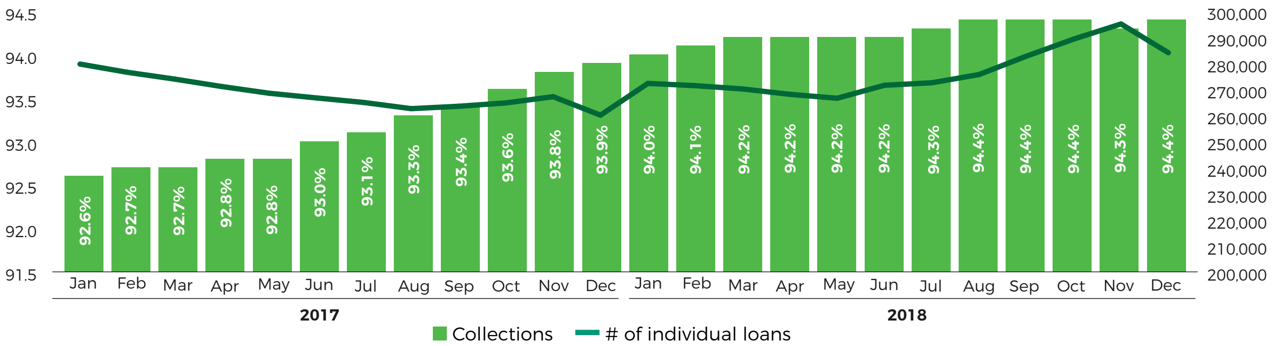
The net lending margin of 13.7% decreased by 250 bps in line with expectations as good credit experience was offset by higher financing charges resulting from the growth in our book.

RFO of R3,129 million marginally increased by 3% with flat Life and Savings profits and 29% growth in Banking and Lending profits. Life and Savings profits were affected by a 12% reduction in credit life profits following price cuts for lower risk rated customers giving better customer value for money. The remainder of Life and Savings profits were impacted by positive growth in the book and good cost management which was partially offset by less positive year end assumption changes and lower new business profits. Banking and Lending profits mostly benefited from the decrease in amortisation of acquired intangibles related to Old Mutual Finance compared to 2017. The provision for loans disbursed following the implementation of IFRS 9 – *Financial Instruments* was R90 million higher than it would have been under the previous applicable IFRS standard. This was more than offset by the unwind of R214 million of the day one transitional adjustment provision recorded in equity as a result of excellent collections experience and improved behavioural scores during 2018. The current year provision release is in line with a prior year release that related to the alignment of provisioning models to payment behaviour in anticipation of IFRS 9 – *Financial Instruments*.

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

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

12 month Rolling Collection (%)



OUTLOOK FOR 2019

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

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

Segment reviews (continued)

PERSONAL FINANCE REVIEW

DEFEND AND GROW IN THE SOUTH AFRICAN PERSONAL FINANCE MARKET

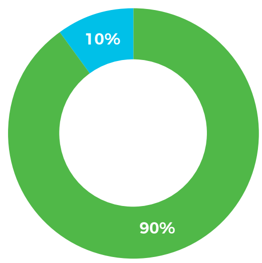
Consumer confidence remained subdued in the second half of the year due to a continued weak economic environment. Lower than inflation average salary increases and VAT and fuel price increases have had an adverse impact on consumer disposable income, customer acquisition and retention especially in the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

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

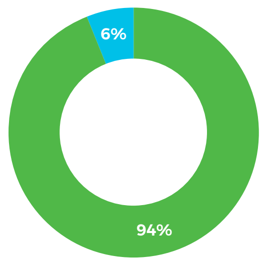
Our distribution channels performed well, generating gross flows of R69.2 billion in 2018 with a contribution of R37.2 billion to Wealth and Investments and R6.5 billion to Corporate. Good growth was seen in new digital channels with saving sales up 29%, and Life APE sales sold through iWYZE was up more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

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

2018 – RFO by LOB (%)



2017 – RFO by LOB (%)



Life and Savings Asset Management

PERFORMANCE HIGHLIGHTS

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

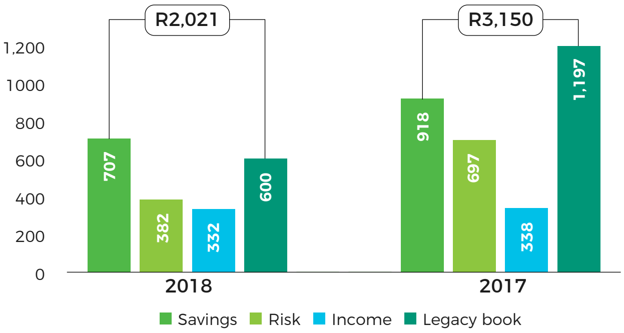
Despite improvement in mortality and morbidity claim levels in the second half of the year, NCCF for the year was adversely affected by poor claims experience and higher disinvestments. Negative NCCF of R3.6 billion was recorded for the year, a decrease of R0.8 billion from the prior year. Legacy NCCF was recorded at negative R9.8 billion (R0.4 billion lower than the prior year) while NCCF related to new generation products was R6.2 billion, R0.4 billion lower than the prior year. NCCF outflows and the decline in the South African equity markets contributed to a decrease of 6% in FUM to R181.4 billion at 31 December 2018.

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

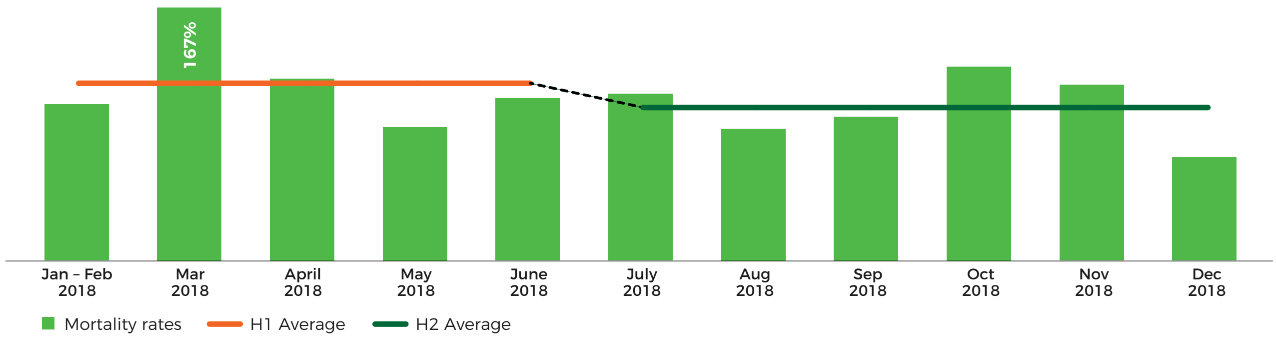
RFO of R2,021 million decreased by 36% when compared to the prior period. Net positive reserve releases that occurred in 2017 were not repeated and had a negative impact on the year on year profit growth rate. Higher than expected death and disability claims, with a number of larger death claims which fell below the reinsurance threshold during the first half of 2018 negatively impacted profit levels. Claims experience was approximately R300 million higher than expected as a result. Claims levels returned to expected levels in the second half of the year. Several management actions have been put in place in response to the negative claims experience including an analysis of causes of death, non-disclosure trends and a review of medical testing practices.

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

RFO Split by LOB (R million)



Claims experience[1] (%)



1. Calculated as actual claims over expected claims

OUTLOOK FOR 2019

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

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

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

Segment reviews (continued)

WEALTH AND INVESTMENTS REVIEW

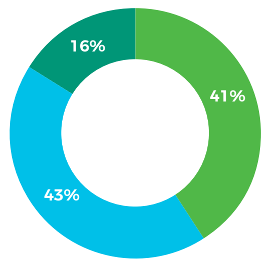
IMPROVE THE COMPETITIVENESS OF WEALTH AND INVESTMENTS

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

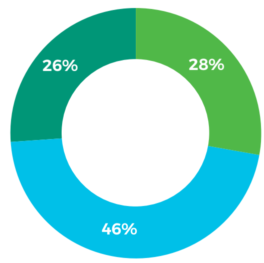
Rm (except where otherwise indicated)	FY 2018	FY 2017	% change
RFO	**1,611**	1,490	8%
Gross flows	**89,214**	88,250	1%
NCCF (Rbn)	**10.8**	14.1	(23%)
AUM (Rbn)[1]	**724.4**	736.6	(2%)
FUM	**502.7**	498.1	1%
Intergroup assets	**334.3**	340.4	(2%)
AuMA[2]	**837.0**	838.5	(0.2%)
Assets under administration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

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

2018 – RFO by LOB (%)



2017 – RFO by LOB (%)



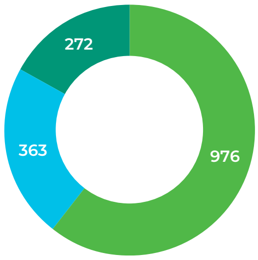
Life and Savings Asset Management
Banking and Lending

PERFORMANCE HIGHLIGHTS

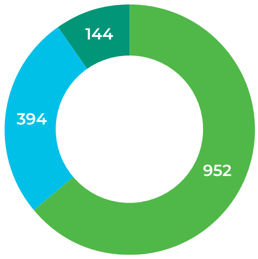
Gross flows of R89,214 million increased marginally by 1% due to strong sales in Old Mutual International and the retail Wealth platform, partially offset by lower institutional inflows to Asset Management. Positive NCCF of R10.8 billion was supported by strong flows into the retail Wealth platform,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

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

2018 - RFO by Business Unit (R million)



2017 - RFO by Business Unit (R million)



Wealth and Asset Management Specialised Finance Alternatives

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

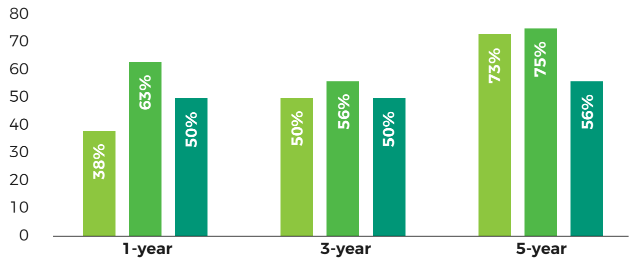
RFO for the Wealth and Asset Management business increased by 3% compared to 2017. The diversified nature of assets it manages mitigated the impact of poor performance of South African equities. However, the industry margin pressure, primarily in the retail space resulted in some drag on the earnings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

Our Alternatives business had an exceptionally strong year in RFO, up by 89% from 2017 due to high non-annuity revenue, largely contributed by development fees in the unlisted infrastructure space. The goodwill amortisation in 2017 was not repeated in 2018 and contributed to the increase in RFO. Annuity fee income held up well during the year in line with average AUM, despite closing AUM ending slightly lower at year end as a result of distributing value to investors through asset realisations in one of the infrastructure funds.

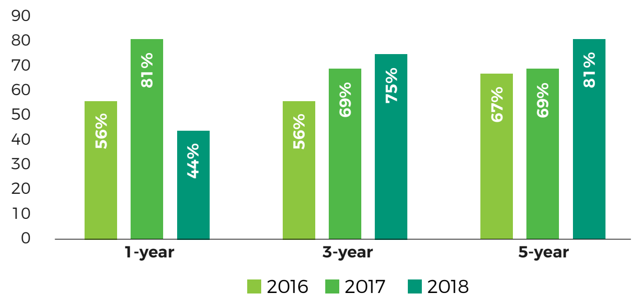
The Specialised Finance business performed well during 2018 benefitting from higher asset origination levels. The quality of the balance sheet portfolio reduced the impact of market wide credit spread contraction. The RFO decreased by 8% largely due to increased funding cost as a result of the implementation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

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

Funds Above Benchmark – December 2018 (%)[1]



Funds Above Median – December 2018 (%)[1]



1. *Represents investment performance of all funds.*

OUTLOOK FOR 2019

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

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

Segment reviews (continued)

OLD MUTUAL CORPORATE REVIEW

DEFEND AND GROW OUR SHARE OF THE SOUTH AFRICAN CORPORATE MARKET

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

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

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

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

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

PERFORMANCE HIGHLIGHTS

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

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

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

OUTLOOK FOR 2019

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

Segment reviews (continued)

OLD MUTUAL INSURE REVIEW

CONTINUED TURNAROUND OF OLD MUTUAL INSURE

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

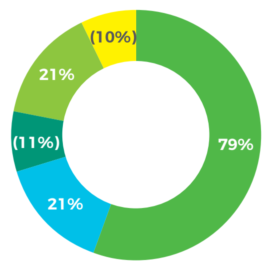
Organic growth continued to be muted by tough market conditions and slower than anticipated new business volumes. Inorganic growth was targeted through a significant focus on building pipeline opportunities and specific initiatives, including strategic partnerships with four underwriting manager agencies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

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

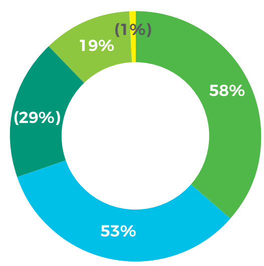
Rm (except where otherwise indicated)	FY 2018	FY 2017	% change
Gross written premiums	**13,218**	12,481	6%
Personal	**3,677**	3,445	7%
Commercial	**4,261**	4,216	1%
Specialty	**4,115**	3,710	11%
CGIC	**1,165**	1,110	5%
Personal[1]	**380**	179	>100%
Commercial	**102**	166	(39%)
Specialty	**(55)**	(90)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

1 *Includes iWYZE profit.*

2018 – Underwriting results (%)



2017 – Underwriting results (%)



PERFORMANCE HIGHLIGHTS

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

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

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

We had exceptionally good claims experience in Personal and Commercial lines in the first half of the year following favourable weather conditions and no catastrophe claims. Attritional losses and the volume of larger losses increased during the second half of the year across all of our core divisions in line with normal seasonality trends.

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

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

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

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

OUTLOOK FOR 2019

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

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

Segment reviews (continued)

REST OF AFRICA REVIEW

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

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

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

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

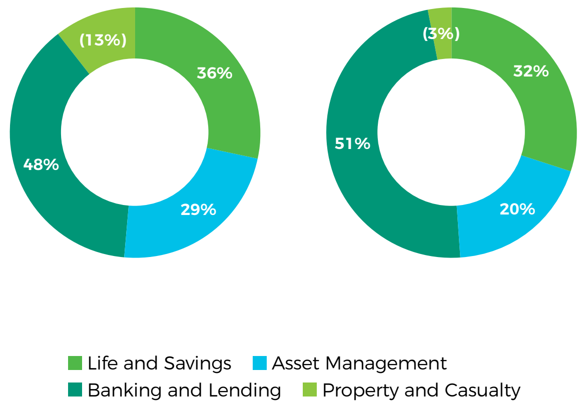
Rm	FY 2018 Before FC[1]	Impact[1]	Reported FY 2018[2]	Before FC %	FY 2018 %	FY 2017
Results from Operations[3]	1,477	(223)	1,254	37%	16%	1,081
Gross flows	22,597	(1,738)	20,859	6%	(2%)	21,306
Life APE sales	1,178	(50)	1,128	(13%)	(16%)	1,347
NCCF (Rbn)	4.4	(0.5)	3.9	100%	77%	2.2
FUM (Rbn)	137.6	(40.1)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

1 *Reflects the key financial indicators of the Group before applying the functional currency change.*
2 *The application of the change in functional currency has been applied prospectively in our financial results for the 2018 reporting period. For inclusion in the condensed consolidated income statement of the Group, Zimbabwe results have been translated at the average US dollar exchange rate for the period up to 30 September 2018 and at a RTGS:US Dollar exchange rate of 3.3 to 1 for the remaining three months of the financial year. For inclusion in the condensed consolidated statement of financial position, Zimbabwe results have been translated at a RTGS:US Dollar exchange rate of 3.3 to 1.*
3 *Results from Operations for Rest of Africa includes central regional expenses of R91 million (H1 2018: 57 million, H1 2017: R82 million, FY 2017: R188 million).*
4 *Includes Faulu in Kenya, CABS in Zimbabwe and OMF Namibia.*
5 *Net interest income plus non-interest revenue minus credit losses, as percentage of average loans and advances over the period.*
6 *Underwriting margin is calculated with reference to Results from Operations.*

PERFORMANCE HIGHLIGHTS

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

2018 – RFO by LOB (%) **2017 – RFO by LOB** (%)



OUTLOOK FOR 2019

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

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

SOUTHERN AFRICA

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

1 Reflects the key financial indicators of the Group before applying the functional currency change.
2 The application of the change in functional currency has been applied prospectively in our financial results for the 2018 reporting period. For inclusion in the condensed consolidated income statement of the Group, Zimbabwe results have been translated at the average US dollar exchange rate for the period up to 30 September 2018 and at a RTGS US Dollar exchange rate of 3.3 to 1 for the remaining three months of the financial year. For inclusion in the condensed consolidated statement of financial position, Zimbabwe results have been translated RTGS US Dollar exchange rate of 3.3 to 1.
3 Net interest margin plus non-interest revenue minus credit losses, as a percentage of average loans and advances over the period.
4 Underwriting margin is calculated with reference to Results from Operations.

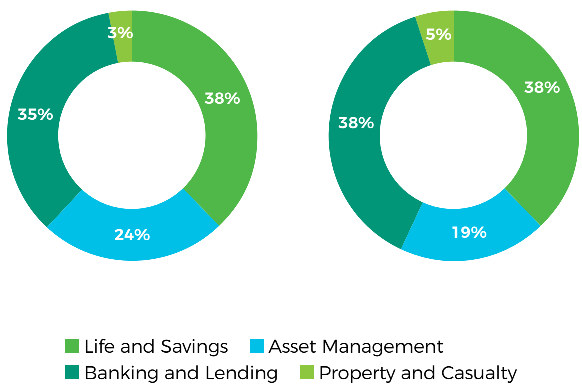
Segment reviews (continued)

SOUTHERN AFRICA (CONTINUED)

Lines of business

Southern Africa	LIFE AND SAVINGS	ASSET MANAGEMENT	BANKING AND LENDING	PROPERTY AND CASUALTY
Botswana	✓			✓
Malawi	✓	✓		
Namibia	✓	✓	✓	✓
eSwatini	✓	✓		
Zimbabwe	✓	✓	✓	✓

2018 – RFO by LOB (%) **2017 – RFO by LOB** (%)



PERFORMANCE HIGHLIGHTS

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

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

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

Gross written premiums increased by 5% to R1,423 million, driven by growth in Zimbabwe as a result of management actions to acquire new business. Namibia experienced flat growth due to tough economic conditions which led to increased competitive pricing. This together with adverse claims experience in Zimbabwe led to a decrease of 260 bps in underwriting margin.

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

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

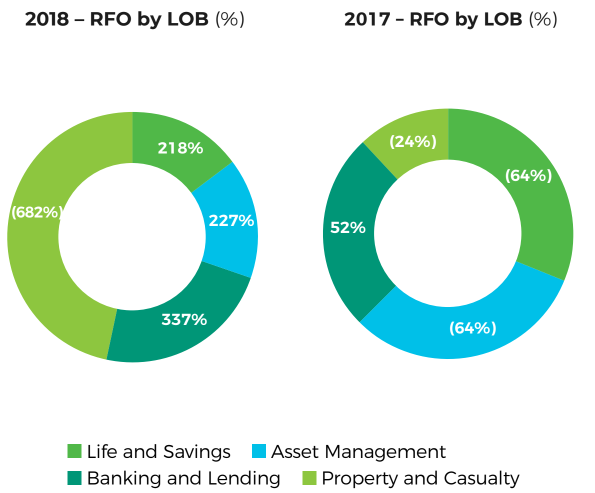
VNB decreased by 45% to R184 million with a corresponding decrease in VNB margin of 250 bps. This was mainly due to a less profitable mix of new business sold during the year, discount promotions on risk products and assumption changes related to future terminations of the smoothed bonus product in Namibia.

EAST AFRICA

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

Lines of business

East Africa	LIFE AND SAVINGS	ASSET MANAGEMENT	BANKING AND LENDING	PROPERTY AND CASUALTY
Kenya	✓	✓	✓	✓
Rwanda				✓
South Sudan	✓	✓		✓
Tanzania				✓
Uganda	✓	✓		✓



PERFORMANCE HIGHLIGHTS

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

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

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

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

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

Segment reviews (continued)

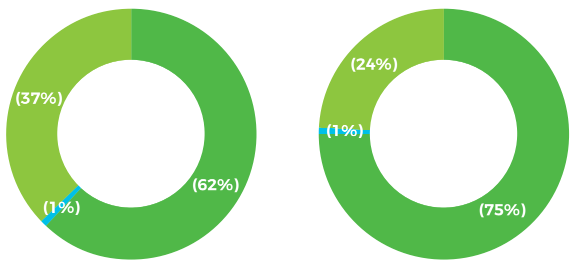
WEST AFRICA

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

Lines of business

West Africa	LIFE AND SAVINGS	ASSET MANAGEMENT	PROPERTY AND CASUALTY
Ghana	✓	✓	
Nigeria	✓		✓

2018– RFO by LOB (%) **2017 – RFO by LOB** (%)



Life and Savings Asset Management
Property and Casualty

PERFORMANCE HIGHLIGHTS

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

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

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

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

05

REVIEWED CONDENSED FINANCIAL STATEMENTS

Index to the Reviewed Condensed Consolidated Financial Statements

BACKGROUND INFORMATION

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

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

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

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

Independent auditors' review report on condensed consolidated financial statements

TO THE SHAREHOLDERS OF OLD MUTUAL LIMITED

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

DIRECTORS' RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

CONCLUSION

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

KPMG Inc.

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

10 March 2019

KPMG Crescent
85 Empire Road
Parktown
2193

Deloitte & Touche

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

10 March 2019

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

Condensed consolidated income statement

For the year ended 31 December 2018

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

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

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

Condensed consolidated statement of comprehensive income

For the year ended 31 December 2018

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

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

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

Condensed consolidated supplementary income statement

For the year ended 31 December 2018

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

Reconciliation of Adjusted Headline Earnings to IFRS profit after tax

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

Condensed consolidated statement of financial position

At 31 December 2018

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

Condensed consolidated statement of cash flows

For the year ended 31 December 2018

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

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

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

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

Condensed consolidated statement of changes in equity

For the year ended 31 December 2018

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

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

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

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

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

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

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

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

Condensed consolidated statement of changes in equity

For the year ended 31 December 2017

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

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

A: SIGNIFICANT ACCOUNTING POLICIES

A1: Basis of preparation

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

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

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

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

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

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

Comparative information

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

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

Accounting policy elections

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

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

Foreign currency translation

Foreign currency transactions

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

Changes in functional currency

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

A: SIGNIFICANT ACCOUNTING POLICIES (continued)

A1: Basis of preparation (continued)

Translation of foreign operations into the Group's presentation currency

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

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

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

Change in functional currency of Group entities in Zimbabwe

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

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

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

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

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

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

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

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

Purpose of Adjusted Headline Earnings

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

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

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

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

A: SIGNIFICANT ACCOUNTING POLICIES (continued)

A1: Basis of preparation (continued)

Scope of businesses included in AHE

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

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

A2: Significant corporate activity and business changes during the year

Transactions during the year required to implement Managed Separation

Reorganisation of the Group structure

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

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

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

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

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

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

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

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

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

Existing share-based payment arrangements

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

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

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

A: SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Disposals announced during the period but not yet completed

Disposal of the Latin American businesses

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

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

Other activities during the year

Lions Head Investments

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

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

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

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

A3: Critical accounting estimates and judgements

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

B: SEGMENT INFORMATION

B1: Basis of segmentation

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

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

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

Presentation and disclosure

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

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

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

Notes to the Condensed Consolidated Financial Statements
For the year ended 31 December 2018

B: SEGMENT INFORMATION (continued)

B2: Reconciliation of Results from operations to Profit after tax

Year ended 31 December 2018

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

Year ended 31 December 2017

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

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

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

B: SEGMENT INFORMATION (continued)

B3: Headline earnings adjusting items

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

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

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

(b) Impact of restructuring

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

(c) Discontinued operations

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

(d) Income from associated undertakings

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

(e) Residual plc

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

C: OTHER KEY PERFORMANCE INFORMATION

C1: Earnings and earnings per share

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

(a) Basic earnings per share

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

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

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

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

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

C: OTHER KEY PERFORMANCE INFORMATION (continued)

C1: Earnings and earnings per share (continued)

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

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

(b) Diluted earnings per share

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

(c) Headline earnings per share

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

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

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

C: OTHER KEY PERFORMANCE INFORMATION (continued)

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

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

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

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

C3: Dividends

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

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D: OTHER OPERATING AND ADMINISTRATIVE EXPENSES

D1: Analysis of managed other operating and administrative expense base

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

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

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

E: FINANCIAL ASSETS AND LIABILITIES

Accounting policy

Classification and measurement of financial assets and financial liabilities

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

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

Initial recognition of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsequent measurement of financial assets

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

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

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

Initial recognition of financial liabilities

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

E: FINANCIAL ASSETS AND LIABILITIES (continued)

Subsequent measurement of financial liabilities

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

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

Expected credit losses

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

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

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

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

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

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

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

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

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E1: Categories of financial instruments

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

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

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

At 31 December 2018

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

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

E: FINANCIAL ASSETS AND LIABILITIES (continued)

E1: Categories of financial instruments (continued)

At 31 December 2017

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

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

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E2: Fair values of financial assets and liabilities

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

(a) Determination of fair value

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

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

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

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

Reinsurers' share of policyholder liabilities

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

Loans and advances

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

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

Investments and securities

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

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

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

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

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

Derivative financial instruments

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

E: FINANCIAL ASSETS AND LIABILITIES (continued)

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

Investment contract liabilities

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

Third-party interests in consolidation of funds

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

Amounts owed to bank depositors

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

Borrowed funds

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

Other financial assets and liabilities

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

(b) Fair value hierarchy

Fair values are determined according to the following hierarchy.

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

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

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

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

(c) Transfer between fair value hierarchies

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

Notes to the Condensed Consolidated Financial Statements

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E: FINANCIAL ASSETS AND LIABILITIES (continued)

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

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

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

At 31 December 2018

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

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

At 31 December 2017

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

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

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(b) Level 3 fair value hierarchy disclosure

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

Year ended 31 December 2018

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

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

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

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

E: FINANCIAL ASSETS AND LIABILITIES (continued)

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

Year ended 31 December 2017

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

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

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

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

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

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

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

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

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

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

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

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

F: ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

F1: Insurance and investment contracts

(a) Policyholder liabilities

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

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

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

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F: ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

F2: Borrowed funds

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

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

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

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

Breaches of covenant

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

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

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

G: OTHER NOTES

G1: Commitments

Future potential commitments

Old Mutual Emerging Markets Limited (OMEM) guarantee

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

Enterprise development commitments

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

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

Old Mutual Finance (Pty) Ltd put option

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

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

Commitments under derivative instruments

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

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

Other commitments

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

G: OTHER NOTES (continued)

G2: Contingent liabilities

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

Contingent liabilities – legal proceedings

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

Contingent liabilities – tax

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

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

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

Consumer protection

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

Implications of Managed Separation

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

Outcome of Zimbabwean Commission Enquiry

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

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

G: OTHER NOTES (continued)

G2: Contingent liabilities (continued)

Old Mutual Limited's intragroup guarantee of Travelers indemnification

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

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

G3: Related party transactions

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

G4: Events after the reporting date

Promulgation of the Tax Laws Amendment Act in South Africa

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

G: OTHER NOTES (continued)

G5: Discontinued operations and disposal groups held for sale

Nedbank and Quilter

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

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

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

Latin American businesses

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

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

Old Mutual Bermuda

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

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

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

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

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G: OTHER NOTES (continued)

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

G5.1 Discontinued operations

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

(a) Income statement from discontinued operations

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

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

G: OTHER NOTES (continued)

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

G5.1 Discontinued operations (continued)

(b) Statement of comprehensive income from discontinued operations

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

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

(c) Net cash flows from discontinued operations

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

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

G: OTHER NOTES (continued)

G5.2 Assets and liabilities held for sale and distribution

At 31 December 2018

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

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

H1.1 Introduction

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

Amendment to IAS 40 Investment Properties – Transfers of Investment Properties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

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

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

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

H1.6 IFRS 9 Financial Instruments

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

H1.6.3 Impact of the new impairment model

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

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

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

H1.6.4 Hedge accounting

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

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

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

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

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

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

(a) Initial financial planning fees

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the year ended 31 December 2018

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

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

IFRS 16 Leases

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

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

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

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

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

IFRS 17 Insurance Contracts

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

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

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

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

IFRS 17 Insurance Contracts (continued)

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

IFRIC 23 Uncertainty over Income Tax Treatments

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

Amendments to IFRS 3 Business Combinations – Definition of a Business

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

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

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

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

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

Amendments to IFRS 9 Prepayment Features with Negative Compensation

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

06

ADDITIONAL DISCLOSURES

ADDITIONAL DISCLOSURES

Contents

The auditors have issued an ISAE 3420 Independent Reporting Accountant's assurance report on the compilation of the non IFRS financial information of Old Mutual Limited. This report is included on page 150 and 151 of this document.

1. Key Metrics

1.1 KEY PERFORMANCE INDICATORS

Rm (unless otherwise indicated)	FY 2018 Before FC[1]	Impact[1]	FY 2018 Reported[2]	H1 2018	Change Before FC %	Change Reported %	FY 2017	H1 2017
Results from Operations (RFO)[3]	**10,186**	**(223)**	**9,963**	4,848	(2%)	(4%)	10,367	4,530
Adjusted Headline Earnings (AHE)[3]	**13,057**	**(1,545)**	**11,512**	5,393	1%	(11%)	12,947	5,359
Return on Net Asset Value (RoNAV) (%)[3,4]	**20.1%**	**(150 bps)**	**18.6%**	17.5%	(280 bps)	(430 bps)	22.9%	19.4%
Free Surplus Generated from Operations[3]	**6,585**	**–**	**6,585**	3,471	(16%)	(16%)	7,842	3,306
% of AHE converted to Free Surplus Generated[3]	**50%**	**700 bps**	**57%**	64%	(1 100 bps)	(400 bps)	61%	62%
Group Solvency ratio (%)[5]	**161%**	**900 bps**	**170%**	156%	–	900 bps	161%	na

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

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

3 *Comparatives have been re-presented to exclude discontinued operations comprising Latin America and India, which was sold in October 2017.*

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

5 *The Group solvency ratio is presented consistent with the disclosure in the pre-listing statement except for the use of the iterative risk margin approach. It represents our remaining stake in Nedbank and includes the portion of fungible Residual plc surplus.*

1.2 SUPPLEMENTARY PERFORMANCE INDICATORS

Rm (unless otherwise indicated)	FY 2018 Before FC[1]	Impact[1]	FY 2018[2] Reported	H1 2018	Change Before FC %	Change Reported %	FY 2017	H1 2017
Gross flows[3]	**183,538**	**(1,738)**	**181,800**	91,563	6%	5%	173,317	83,342
Life APE sales[3]	**12,361**	**(50)**	**12,311**	5,810	7%	7%	11,512	5,139
NCCF (Rbn)[3]	**11.2**	**(0.5)**	**10.7**	9.4	100%	91%	5.6	1.6
FUM (Rbn)[3]	**1,083.8**	**(40.1)**	**1,043.7**	1,097.0	1%	(3%)	1,072.3	1,033.6
VNB[3]	**2,179**	**(12)**	**2,167**	1,109	(4%)	(5%)	2,280	1,007
VNB margin (%)[3]	**3.2%**	**n/a**	**3.2%**	3.3%	(30 bps)	(30 bps)	3.5%	3.4%
Banking and Lending								
Loans and advances	**31,913**	**(8,175)**	**23,738**	27,638	37%	2%	23,311	22,139
Net lending margin (%)	**12.6%**	**(0.2%)**	**12.4%**	11.8%	(120 bps)	(140 bps)	13.8%	12.5%
Property and Casualty								
Gross written premiums	**16,847**	**(117)**	**16,730**	8,076	4%	4%	16,135	8,017
Underwriting margin (%)	**3.1%**	**n/a**	**3.1%**	3.9%	60 bps	60 bps	2.5%	0.7%

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

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

3 *Comparatives have been re-presented to exclude discontinued operations comprising Latin America and India, which was sold in October 2017.*

1. Key Metrics (continued)

1.3 SUPPLEMENTARY INCOME STATEMENT

Rm (unless otherwise indicated)	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Mass and Foundation Cluster	**3,129**	1,534	77	3%	3,052	1,306
Personal Finance	**2,021**	918	(1,129)	(36%)	3,150	1,394
Wealth and Investments	**1,611**	783	121	8%	1,490	638
Old Mutual Corporate	**1,703**	854	127	8%	1,576	800
Old Mutual Insure	**670**	370	146	28%	524	200
Rest of Africa	**1,254**	478	173	16%	1,081	368
Net expenses from central functions	**(425)**	(89)	81	16%	(506)	(176)
Results from Operations	**9,963**	4,848	(404)	(4%)	10,367	4,530
Shareholder investment return	**2,880**	1,177	(2,040)	(41%)	4,920	1,869
Finance costs	**(601)**	(337)	21	3%	(622)	(286)
Income from associates[1]	**2 593**	1,379	288	13%	2,305	1,036
Adjusted Headline Earnings before tax and non-controlling interests	**14,835**	7,067	(2,135)	(13%)	16,970	7,149
Shareholder tax	**(2,947)**	(1,566)	588	17%	(3,535)	(1,600)
Non-controlling interests	**(376)**	(108)	112	23%	(488)	(190)
Adjusted Headline Earnings	**11,512**	5,393	(1,435)	(11%)	12,947	5,359

1 *Income from associates includes our remaining stake in Nedbank and investment in China.*

1.4 PER SHARE MEASURES

Millions	FY 2018	FY 2017
Weighted average number of ordinary shares in issue	**4,938**	4,931
Shares held in charitable foundations and trusts	**(19)**	(21)
Shares held in ESOP and similar trusts	**(104)**	(134)
Adjusted weighted average number of ordinary shares[1]	**4,815**	4,776
Shares held in policyholder and consolidated investment funds	**(173)**	(141)
Shares held in Black Economic Empowerment trusts	**(2)**	(2)
Weighted average number of ordinary shares used to calculate basic earnings per share	**4,640**	4,633
Adjusted Headline Earnings per share (cents)[2,4]	**239.1**	271.1
Group equity value per share (cents)[3]	**2,575**	N/A

1 *Adjusted to reflect the Group's BBE shares and share held in policyholder funds and consolidated investment funds as being in the hands of third parties, consistent with the treatment of the related revenue in AHE. Refer to note C1.1(a) in the condensed consolidated financial statements.*

2 *Calculated as Adjusted Headline Earnings divided by Adjusted weighted average number of ordinary shares.*

3 *Calculated as Group equity value divided by Adjusted weighted average number of ordinary shares.*

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

1. Key Metrics (continued)

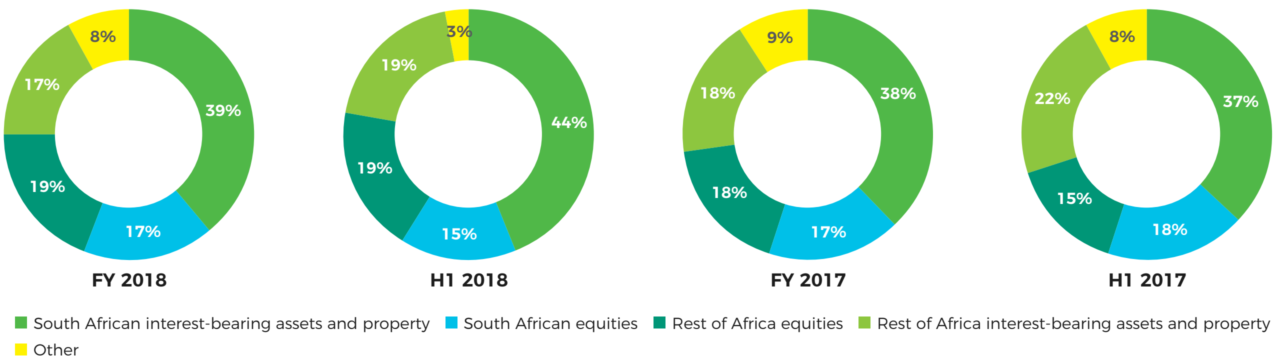
1.5 INVESTED SHAREHOLDER ASSETS

Rm (unless otherwise indicated)	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Shareholder investment return[1] (Rm)	**2,880**	1,177	(2,040)	(41%)	4,920	1,869
South Africa	**1,075**	547	(835)	(44%)	1,910	619
Rest of Africa	**1,805**	630	(1,205)	(40%)	3,010	1,250
Invested Shareholder Assets[2] (Rbn)	**34.5**	40.9	(2.1)	(6%)	36.6	34.7
South Africa	**23.2**	24.6	1.0	5%	22.2	21.4
Rest of Africa	**11.3**	16.3	(3.1)	(22%)	14.4	13.3

1 The elimination of shareholder investment return on Group instruments related to RoA was previously shown in South Africa. These eliminations have been reallocated to RoA.

2 Prior periods have been re-presented to better reflect management`s view of invested shareholder assets.

Invested shareholder assets by asset class (%)



1.6 RETURN ON NET ASSET VALUE

Rbn or %	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Total RoNAV (%)[1,2,4]	**18.6%**	17.5%	–	(430 bps)	22.9%	19.4%
South Africa	**17.8%**	18.5%	–	(320 bps)	21.0%	18.1%
Rest of Africa	**22.0%**	13.2%	–	(910 bps)	31.1%	25.4%
Average Adjusted IFRS Equity[1]	**62.1**	61.8	5.6	10%	56.5	55.1
South Africa	**51.4**	49.6	5.7	12%	45.7	45.1
Rest of Africa	**10.7**	12.2	(0.1)	(1%)	10.8	10.0
Closing Adjusted IFRS Equity[1]	**64.6**	63.9	4.9	8%	59.7	57.1
South Africa[3]	**54.9**	51.0	6.7	14%	48.2	47.1
Rest of Africa	**9.7**	12.9	(1.8)	(16%)	11.5	10.0

1 Comparatives have been re-presented to exclude discontinued operations comprising Latin America and India which was sold in October 2017.

2 The investment in China was previously reported as part of Latin America and Asia, and has now been included in South Africa.

3 Closing Adjusted IFRS Equity includes 19.9% of the closing equity of Nedbank of R18.6 billion (H1 2018: 16.3 billion, H1 2017: 15.8 billion, FY 2017: R16.4 billion).

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

1. Key Metrics (continued)

1.7 FREE SURPLUS GENERATED FROM OPERATIONS

	FY 2018					FY 2017		
Rm (unless otherwise indicated)	**Free Surplus Generated**	**AHE**	**%**	Change FY 2018 Value	Change FY 2017 %	Free Surplus Generated	AHE	%
Gross operating segments	**8,912**	**8,831**	**101%**	(1,992)	(18%)	10,904	10,601	>100%
Capital requirements	**(2,510)**	**–**	**–**	(273)	(12%)	(2,237)	–	–
Net operating segments	**6,402**	**8,831**	**72%**	(2,265)	(26%)	8,667	10,601	82%
Nedbank (19.9%)	**1,340**	**2,681**	**50%**	167	14%	1,173	2,346	50%
Before fungibility restrictions	**7,742**	**11,512**	**67%**	(2,098)	(21%)	9,840	12,947	76%
Fungibility restriction[1]	**(1,157)**	**–**	**–**	841	(42%)	(1,998)	–	–
Free Surplus Generated from Operations	**6,585**	**11,512**	**57%**	(1,257)	(16%)	7,842	12,947	61%

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

	H1 2018					H1 2017		
Rm (unless otherwise indicated)	Free Surplus Generated	AHE	%	Change H1 2018 Value	Change H1 2017 %	Free Surplus Generated	AHE	%
Gross operating segments	3,987	3,995	100%	(458)	(10%)	4 445	4,310	>100%
Capital requirements	(815)	–	–	(98)	(14%)	(717)	–	–
Net operating segments	3,172	3,995	79%	(556)	(15%)	3,728	4,310	86%
Nedbank (19.9%)	699	1,398	50%	175	33%	524	1,049	50%
Before fungibility restrictions	3,871	5,393	72%	(381)	(9%)	4,252	5,359	79%
Fungibility restriction[1]	(400)	–	–	546	58%	(946)	–	–
Free Surplus Generated from Operations	3 471	5 393	64%	165	5%	3,306	5,359	62%

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

1.8 GROUP SOLVENCY POSITION

Rbn (unless otherwise indicated)	**FY 2018 Pro forma[1]**	Change Value	Change %	FY 2017 Pro forma[1]
Eligible own funds	**100.6**	3.6	4%	97.0
Solvency capital requirement	**59.1**	(1.3)	(2%)	60.4
Solvency ratio (%)	**170%**	–	900 bps	161%

1 *The Group solvency ratio is presented consistent with the disclosure in the pre-listing statement except for the use of the iterative risk margin approach. It represents our remaining stake in Nedbank and includes the portion of fungible Residual plc surplus.*

1. Key Metrics (continued)

1.9 KEY COMPONENTS OF THE GROUP SOLVENCY POSITION

Rbn (unless otherwise indicated)	FY 2018						
	OMLACSA[1,2]	**Nedbank[3]**	**Old Mutual Insure[4]**	**Residual plc[5]**	**Other[6]**	**Consolidation adjustments[7]**	**OML Group**
Own Funds[8]	**78.2**	**18.1**	**4.0**	**3.2**	**29.3**	**(32.2)**	**100.6**
SCR	**34.8**	**13.1**	**2.5**	**2.1**	**17.7**	**(11.1)**	**59.1**
Ratio (%)[9]	**225%**	**137%**	**157%**	**155%**	**166%**		**170%**

Rbn	FY 2017						
	OMLACSA[1,2]	Nedbank[3]	Old Mutual Insure[4]	Residual plc[5]	Other[6]	Consolidation Adjustments[7]	OML Group
Own Funds[8]	76.4	17.0	3.8	2.8	27.6	(30.6)	97.0
SCR	33.4	11.5	2.6	2.8	19.4	(9.3)	60.4
Ratio (%)[9]	229%	148%	149%	100%	142%		161%

1 *The standard formula under the Prudential Standards is used for OMLACSA.*
2 *The OMLACSA position includes OMLACSA's holding in strategic assets.*
3 *Our remaining stake in Nedbank is included in Group Solvency on the Basel III basis. This is different to the treatment in the OMLACSA calculation where the holding is included in Own Funds at the market value of the shares, with an equity stress applied to calculate the SCR.*
4 *The standard formula under the Prudential Standards is used for Old Mutual Insure.*
5 *It has been assumed that surplus arising in Residual plc operations is non-fungible under the Prudential Standards, with the exception of surplus arising in some of the entities now owned by Old Mutual Limited and surplus deemed fungible by the Court Scheme.*
6 *This category includes the balance of the Group, including holding companies and asset managers, Rest of Africa, Latin America and Asia and smaller lending businesses.*
7 *Includes the*
(i) *elimination of double counting between entities e.g. the investment of a holding company in a subsidiary,*
(ii) *OMLACSA's investment holding of Nedbank,*
(iii) *fungibility restrictions where the own funds for certain entities are restricted to the solvency capital requirement of that entity (calculated according to the Prudential Standards). The most material non-fungible surplus relates to Zimbabwe and Residual Plc*
(iv) *diversification of risks within entities subject to accounting consolidation, most importantly between OMLACSA and Old Mutual Insure.*
8 *Refer to table 3.3 for a reconciliation between IFRS NAV and Own Funds.*
9 *Due to rounding of own funds and SCR, the ratio presented could differ when recalculated.*

1.10 DEBT SUMMARY

Rm (unless otherwise indicated)	**FY 2018**	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Gearing[1]						
IFRS value of subordinated debt[2]	**6,548**	6,495	53	1%	6,495	5,945
IFRS equity attributable to operating segments[3]	**45,979**	47,594	2,698	6%	43,281	41,266
Gearing ratio (%)	**12.5%**	12.0%	–	(50 bps)	13.0%	12.6%
Interest cover						
Finance costs	**601**	337	(21)	(3%)	622	286
AHE before tax and non-controlling interests and debt service costs	**15,436**	7,404	(2,156)	(12%)	17,592	7,435
Interest cover	**25.7**	22.0	(2.6)	(9%)	28.3	26.0

1 *Debt ratios are calculated based on the IFRS value of debt that supports the capital structure. This excludes non-qualifying debt, Nedbank and Residual plc debt.*
2 *Refer to table 3.6 for the reconciliation of IFRS value of subordinated debt to IFRS borrowed funds as disclosed in the IFRS balance sheet.*
3 *Excludes equity attributable to Residual plc and assets held for sale and distribution.*

2. Segment Key Performance Indicators

OUR PRESENCE IN AFRICA

	Life and Savings	Asset Management	Banking and Lending	Property and Casualty
South Africa	✓	✓	✓	✓
Southern Africa				
Botswana	✓			✓
Malawi	✓	✓		
Namibia	✓	✓	✓	✓
eSwatini	✓	✓		
Zimbabwe	✓	✓	✓	✓
East Africa				
Kenya	✓	✓	✓	✓
Rwanda				✓
South Sudan	✓	✓		✓
Tanzania				✓
Uganda	✓	✓		✓
West Africa				
Ghana	✓	✓		
Nigeria	✓			✓

2.1 MASS AND FOUNDATION CLUSTER

2.1.1 Key performance indicators

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Results from Operations	**3,129**	1,534	77	3%	3,052	1,306
Gross flows	**13,700**	6,532	1,678	14%	12,022	5,709
Life APE sales	**4,579**	2,142	488	12%	4,091	1,766
Single premium	**3**	2	–	–	3	1
Savings	**3**	2	–	–	3	1
Recurring premium	**4,576**	2,140	488	12%	4,088	1,765
Savings	**1,899**	942	95	5%	1,804	794
Risk	**2,677**	1,198	393	17%	2,284	971
NCCF (Rbn)	**6.5**	3.1	0.4	7%	6.1	2.9
FUM (Rbn)	**12.7**	13.1	0.3	2%	12.4	11.7
VNB	**1,222**	655	(14)	(1%)	1,236	585
VNB margin (%)	**10.3%**	10.5%	–	(30 bps)	10.6%	10.2%

2. Segment Key Performance Indicators (continued)

2.1 MASS AND FOUNDATION CLUSTER (continued)

2.1.2 Old Mutual Finance

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Loans and advances	**16,518**	13,432	4,448	37%	12,070	11,150
Performing	**13,120**	10,202	4,425	51%	8,695	7,713
Defaulted	**3,398**	3,230	23	1%	3,375	3,437
Balance sheet impairment provision	**3,225**	2,993	657	26%	2,568	2,674
Performing	**1,107**	928	630	>100%	477	534
Defaulted	**2,118**	2,065	27	1%	2,091	2,140
Impairment coverage ratio[1]	**19.5%**	23.0%	–	(180 bps)	21.3%	24.0%
Results from Operations[2]	**730**	342	15	2%	715	294
Net interest income (NII)	**1,874**	847	287	18%	1,587	797
Non-interest revenue (NIR)	**822**	386	10	1%	812	403
Net lending margin (%)	**13.7%**	14.4%	–	(250 bps)	16.2%	15.3%
Credit loss ratio (%)	**5.9%**	5.4%	–	90 bps	5.0%	6.3%

1 *Impairment coverage ratio calculates the impairment provision as a percentage of loans and advances.*

2 *Results from Operations includes credit life profits of R305 million in FY 2018 which is classified as Life and Savings (FY 2017: 347 million, H1 2018: R149 million, H1 2017: 176 million)*

2.2 PERSONAL FINANCE

2.2.1 Key performance indicators

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Results from Operations	**2,021**	918	(1,129)	(36%)	3,150	1,394
Gross flows	**26,165**	12,970	1,218	5%	24,947	12,440
Life APE sales	**2,556**	1,221	54	2%	2,502	1,241
Single premium	**906**	444	75	9%	831	419
Savings	**665**	340	37	6%	628	323
Annuities	**241**	104	38	19%	203	96
Recurring premium	**1,650**	777	(21)	(1%)	1,671	822
Savings	**970**	465	(11)	(1%)	981	497
Risk	**680**	312	(10)	(1%)	690	325
NCCF (Rbn)	**(3.6)**	(1.8)	(0.8)	(29%)	(2.8)	(1.3)
FUM (Rbn)	**181.4**	188.5	(12.3)	(6%)	193.7	192.0
VNB	**418**	100	52	14%	366	87
VNB margin (%)	**2.6%**	1.3%	–	20 bps	2.4%	1.1%

2. Segment Key Performance Indicators (continued)

2.3 WEALTH AND INVESTMENTS

2.3.1 Key performance indicators

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Results from Operations	**1,611**	783	121	8%	1,490	638
Gross flows	**89,214**	45,114	964	1%	88,250	42,405
NCCF (Rbn)	**10.8**	10.9	(3.3)	(23%)	14.1	1.8
Assets under management (AUM)[1] (Rbn)	**724.4**	741.9	(12.2)	(2%)	736.6	695.3
FUM	**502.7**	516.6	4.6	1%	498.1	463.3
Intergroup assets	**334.3**	345.8	(6.1)	(2%)	340.4	329.8
Assets under management and administration (AuMA)[2]	**837.0**	862.4	(1.5)	(0.2%)	838.5	793.1
Assets under administration	**(112.6)**	(120.5)	(10.7)	(11%)	(101.9)	(97.8)
Total revenue[3]	**5,013**	2,374	124	3%	4,889	2,284
Annuity	**4,498**	2,151	140	3%	4,358	2,151
Non-annuity	**515**	223	(16)	(3%)	531	133
Life APE sales by product	**1,308**	623	196	18%	1,112	530
Savings	**1,308**	623	196	18%	1,112	530
VNB	**117**	84	(40)	(25%)	157	78
VNB margin	**0.9%**	1.4%	–	(60 bps)	1.5%	1.5%

1 *AUM comprises FUM as defined for the Group, as well as funds managed on behalf of other entities in the Group, which is reported as FUM of these respective segments. Assets under administration that is managed externally is not included in AUM.*

2 *AuMA is AUM including assets under administration.*

3 *Comparatives have been re-presented to reflect amounts gross of external management fees of R317 million in FY 2017 (H1 2017: R148 million).*

2.3.2 Results from Operations

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Wealth	**733**	331	5	1%	728	370
Asset Management	**243**	125	19	8%	224	127
Wealth and Asset Management	**976**	456	24	3%	952	497
Alternatives	**272**	150	128	89%	144	(24)
Specialised Finance	**363**	177	(31)	(8%)	394	165
Results from Operations	**1,611**	783	121	8%	1,490	638
Operating margin (%)[1]	**32%**	33%	–	200 bps	30%	28%

1 *Calculated as Results from Operations divided by total revenue for the period.*

2.3.3 NCCF

Rbn	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Wealth	**11.8**	6.6	3.0	34%	8.8	1.4
Asset Management	**1.1**	3.7	(3.1)	(74%)	4.2	0.5
Wealth and Asset Management	**12.9**	10.3	(0.1)	(1%)	13.0	1.9
Alternatives	**(2.1)**	0.6	(3.2)	>(100%)	1.1	(0.1)
NCCF	**10.8**	10.9	(3.3)	(23%)	14.1	1.8

2. Segment Key Performance Indicators (continued)

2.3 WEALTH AND INVESTMENTS (continued)

2.3.4 AUM

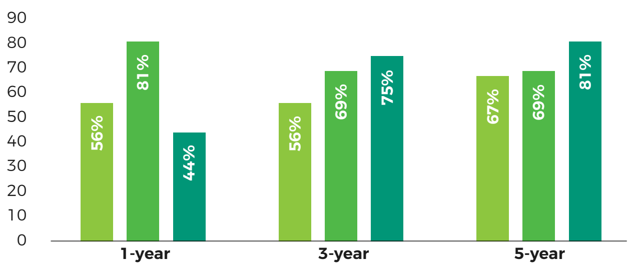
Rbn	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Wealth and Asset Management	**620.2**	639.7	(11)	(2%)	631.2	587.2
Alternatives	**48.2**	45.2	–	–	48.2	43.6
Specialised Finance	**56.0**	57.0	(1.2)	(2%)	57.2	64.5
AUM	**724.4**	741.9	(12.2)	(2%)	736.6	695.3

2.3.5 Revenue

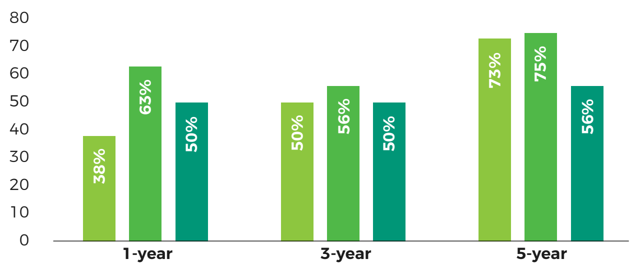
Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Revenue – Annuity[1]						
Wealth	**2,517**	1,177	173	7%	2,344	1,154
Asset Management	**1,103**	539	48	5%	1,055	513
Wealth and Asset Management	**3,620**	1,716	221	7%	3,399	1,667
Alternatives	**427**	201	32	8%	395	192
Specialised Finance	**451**	234	(113)	(20%)	564	292
Total annuity revenue	**4,498**	2,151	140	3%	4,358	2,151
Revenue bps – Annuity[2]	**0.6%**	0.3%	–	–	0.6%	0.3%
Revenue – Non-annuity						
Wealth	**–**	–	–	–	–	–
Asset Management	**54**	23	(64)	(54%)	118	41
Wealth and Asset Management	**54**	23	(64)	(54%)	118	41
Alternatives	**333**	145	(35)	(10%)	368	116
Specialised Finance	**128**	55	83	>100%	45	(24)
Total non-annuity revenue	**515**	223	(16)	(3%)	531	133
Revenue bps – Non-annuity[3]	**0.1%**	0.03%	–	–	0.1%	0.02%

1 Comparatives have been re-presented to reflect amounts gross of external management fees of R317 million in FY 2018 (H1 2017: R148 million).
2 Calculated as total annuity revenue divided by average AUM.
3 Calculated as total non-annuity revenue divided by average AUM.

Funds Above Median – December 2018 (%)[1]



Funds Above Benchmark – December 2018 (%)[1]



2016 2017 2018

1 Represents investment performance of all funds.

2.4 OLD MUTUAL CORPORATE

2.4.1 Key performance indicators

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Results from Operations	**1,703**	854	127	8%	1,576	800
Gross flows	**42,669**	21,723	6,998	20%	35,671	16,760
Life APE sales	**3,133**	1,451	414	15%	2,719	1,159
Single premium	**2,212**	1,150	408	23%	1,804	818
Savings	**2,121**	1,088	436	26%	1,685	791
Risk	**5**	–	3	>100%	2	1
Annuities	**86**	62	(31)	(26%)	117	26
Recurring premium	**921**	301	6	1%	915	341
Savings	**376**	120	(126)	(25%)	502	114
Risk	**545**	181	132	32%	413	227
NCCF (Rbn)	**2.0**	0.8	9.1	>100%	(7.1)	(0.3)
FUM (Rbn)	**254.6**	258.2	(1.0)	(0.4%)	255.6	251.6
VNB	**309**	168	55	22%	254	130
VNB margin (%)	**1.1%**	1.2%	–	10 bps	1.0%	1.2%

2.5 OLD MUTUAL INSURE

2.5.1 Key performance indicators

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Gross written premiums	**13,218**	6,293	737	6%	12,481	6,098
Net earned premiums	**9,048**	4,247	639	8%	8,409	4,215
Personal	**380**	210	201	>100%	179	73
Commercial	**102**	120	(64)	(39%)	166	45
Specialty	**(55)**	(22)	35	39%	(90)	(25)
CGIC	**102**	(8)	42	70%	60	12
Central expenses	**(49)**	–	(46)	>(100%)	(3)	(9)
Underwriting result[1]	**480**	300	168	54%	312	96
Investment return on insurance funds	**244**	96	44	22%	200	107
Other income and expenses	**(54)**	(26)	(66)	>(100%)	12	(3)
Results from Operations	**670**	370	146	28%	524	200
Underwriting margin (%)[1]	**5.3%**	7.1%	–	160 bps	3.7%	2.3%
Insurance margin (%)	**7.4%**	8.7%	–	130 bps	6.1%	4.8%
Claims ratio (%)	**60.7%**	59.8%	–	(70 bps)	61.4%	63.9%

1 *The H1 2018 underwriting result and underwriting margin have been re-presented to exclude minorities that arose from a strategic partnership agreement. FY 2018 also excludes these minorities.*

2. Segment Key Performance Indicators (continued)

2.6 REST OF AFRICA

2.6.1 Key performance indicators

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Results from Operations[1]	**1,254**	478	173	16%	1,081	368
Gross flows	**20,859**	9,986	(447)	(2%)	21,306	10,356
Life APE sales	**1,128**	555	(219)	(16%)	1,347	542
Single premium	**257**	133	19	8%	238	105
Savings	**223**	114	9	4%	214	96
Risk	**21**	13	10	91%	11	3
Annuities	**13**	6	–	–	13	6
Recurring premium	**871**	422	(238)	(21%)	1,109	437
Savings	**421**	229	(262)	(38%)	683	229
Risk	**450**	193	24	6%	426	208
NCCF (Rbn)	**3.9**	0.7	1.7	77%	2.2	1.6
FUM (Rbn)	**97.5**	116.0	(6.5)	(6%)	104.0	96.7
VNB	**101**	102	(166)	(62%)	267	127
VNB margin (%)	**1.9%**	3.3%	–	(240 bps)	4.3%	4.3%
Banking and Lending[2]						
Loans and advances	**7,219**	14,206	(4,022)	(36%)	11,241	10,989
Net lending margin (%)[3]	**10.7%**	9.4%	–	(70 bps)	11.4%	9.5%
Credit loss ratio (%)	**1.2%**	1.9%	–	80 bps	0.4%	0.9%
Property and Casualty						
Gross written premiums	**3,512**	1,783	(142)	(4%)	3,654	1,919
Net earned premiums	**2,719**	1,299	(81)	(3%)	2,800	1,360
Underwriting margin (%)[4]	**(4.3%)**	(3.6%)	–	(320 bps)	(1.1%)	(4.4%)

1 *Results from Operations for Rest of Africa includes central regional expenses of R91 million (H1 2018: 57 million, H1 2017: R82 million, FY 2017: R188 million).*
2 *Includes Faulu in Kenya, CABS in Zimbabwe and OMF Namibia.*
3 *Net interest income plus non-interest revenue minus credit losses, as percentage of average loans and advances over the period.*
4 *Underwriting margin is calculated with reference to Results from Operations. The H1 2018 underwriting margin has been re-presented to exclude restructuring costs incurred in East Africa during the period. FY 2018 underwriting margin also exclude these restructuring costs.*

2.6 REST OF AFRICA (continued)

2.6.2 Southern Africa

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Results from Operations	**1,589**	745	70	5%	1,519	600
Gross flows	**17,283**	8,372	(8)	(0%)	17,291	7,944
Life APE sales	**914**	468	(217)	(19%)	1,131	435
Single premium	**256**	133	19	8%	237	105
Savings	**223**	114	9	4%	214	97
Risk	**20**	13	10	100%	10	2
Annuities	**13**	6	–	–	13	6
Recurring premium	**658**	335	(236)	(26%)	894	330
Savings	**343**	192	(252)	(42%)	595	189
Risk	**315**	143	16	5%	299	141
NCCF (Rbn)	**3.0**	0.3	2.0	>100%	1.0	0.7
FUM (Rbn)	**67.1**	86.8	(12.2)	(15%)	79.3	71.8
VNB	**172**	135	(165)	(49%)	337	172
VNB margin (%)	**3.5%**	4.7%	–	(250 bps)	6.0%	6.4%
Banking and Lending						
Loans and advances	**4,515**	11,814	(4,652)	(51%)	9,167	8,796
Net lending margin (%)[1]	**10.1%**	9.0%	–	(90 bps)	11.0%	9.0%
Credit loss ratio (%)	**1.5%**	2.0%	–	(130 bps)	0.2%	1.0%
Property and Casualty						
Gross written premiums	**1,306**	683	(55)	(4%)	1,361	688
Net earned premiums	**955**	504	(61)	(6%)	1,016	499
Underwriting margin (%)[2]	**4.6%**	7.4%	–	(260 bps)	7.2%	6.2%

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

2 *Underwriting margin is calculated with reference to Results from Operations.*

2.6.3 East Africa

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Results from Operations	**11**	(108)	78	>100%	(67)	(49)
Gross flows	**3,259**	1,466	(476)	(13%)	3,735	2,264
Life APE sales	**123**	46	23	23%	100	45
Recurring premium	**123**	46	23	23%	100	45
Savings	**17**	7	9	>100%	8	3
Risk	**106**	39	14	15%	92	42
NCCF (Rbn)	**0.7**	0.3	(0.4)	(36%)	1.1	0.8
FUM (Rbn)	**29.3**	28.1	5.5	23%	23.8	23.9
VNB	**(25)**	(16)	13	34%	(38)	(22)
VNB margin (%)	**(11.8%)**	(17.6%)	–	1,040 bps	(22.2%)	(21.3%)
Banking and Lending						
Loans and advances	**2,704**	2,392	630	30%	2,074	2,193
Net lending margin (%)[1]	**13.2%**	11.3%	–	40 bps	12.8%	11.6%
Credit loss ratio (%)	**0.3%**	1.6%	–	(100 bps)	1.3%	0.6%
Property and Casualty						
Gross written premiums	**2,101**	1,027	(44)	(2%)	2,145	1,132
Net earned premiums	**1,726**	773	(15)	(1%)	1 741	841
Underwriting margin (%)[2]	**(1.8%)**	(3.4%)	–	(90 bps)	(0.9%)	(5.6%)

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

2 *Underwriting margin is calculated with reference to Results from Operations. The H1 2018 underwriting margin has been re-presented to exclude restructuring cost incurred in East Africa during the period. FY 2018 underwriting margins also excludes these restructuring costs.*

2. Segment Key Performance Indicators (continued)

2.6 REST OF AFRICA (continued)

2.6.4 West Africa

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Results from Operations	**(255)**	(102)	(72)	(39%)	(183)	(101)
Gross flows	**317**	148	37	13%	280	148
Life APE sales	**91**	41	(25)	(22%)	116	62
Single premium	**1**	–	–	–	1	–
Risk	**1**	–	–	–	1	–
Recurring premium	**90**	41	(25)	(22%)	115	62
Savings	**61**	29	(19)	(24%)	80	37
Risk	**29**	12	(6)	(17%)	35	25
NCCF (Rbn)	**0.2**	0.1	–	–	0.2	0.1
FUM (Rbn)	**1.2**	1.1	0.3	33%	0.9	1.0
VNB	**(47)**	(17)	(15)	(47%)	(32)	(23)
VNB margin (%)	**(17.3%)**	(15.6%)	–	(920 bps)	(8.1%)	(11.4%)
Property and Casualty						
Gross written premiums	**104**	73	(44)	(30%)	148	99
Net earned premiums	**39**	22	(4)	(9%)	43	21
Underwriting margin (%)[1]	**(246.4%)**	(195.5%)	–	(14170 bps)	(104.7%)	(128.6%)

1 *Underwriting margin is calculated with reference to Results from Operations.*

2.6.5 Impact of the change in functional currency of Zimbabwe

2.6.5.1 Rest of Africa

Rm	FY 2018 Before FC[1]	Impact[1]	FY 2018 Reported[2]	Change Before FC %	Change Reported %	FY 2017
Results from Operations	**1,477**	**(223)**	**1,254**	37%	16%	1,081
Gross flows	**22,597**	**(1,738)**	**20,859**	6%	(2%)	21,306
Life APE sales	**1,178**	**(50)**	**1,128**	(13%)	(16%)	1,347
NCCF (Rbn)	**4.4**	**(0.5)**	**3.9**	100%	77%	2.2
FUM (Rbn)	**137.6**	**(40.1)**	**97.5**	32%	(6%)	104.0
VNB	**113**	**(12)**	**101**	(58%)	(62%)	267
VNB margin (%)	**1.9%**	**–**	**1.9%**	(240 bps)	(240 bps)	4.3%
Banking and Lending						
Loans and advances	**15,394**	**(8,175)**	**7,219**	37%	(36%)	11,241
Property and Casualty						
Gross written premiums	**3,629**	**(117)**	**3,512**	(1%)	(4%)	3,654

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

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

2. Segment Key Performance Indicators (continued)

2.6 REST OF AFRICA (continued)

2.6.5.2 Southern Africa

Rm	FY 2018 Before FC[1]	Impact[1]	Reported FY 2018[2]	Change Before FC %	Change Reported %	FY 2017
Results from Operations	**1,812**	**(223)**	**1,589**	19%	5%	1,519
Gross flows	**19,021**	**(1,738)**	**17,283**	10%	(0%)	17,291
Life APE sales	**964**	**(50)**	**914**	(15%)	(19%)	1,131
NCCF (Rbn)	**3.5**	**(0.5)**	**3.0**	>100%	>100%	1,0
FUM (Rbn)	**107.2**	**(40.1)**	**67.1**	35%	(15%)	79.3
VNB	**184**	**(12)**	**172**	(45%)	(49%)	337
VNB margin (%)	**3.5%**	**–**	**3.5%**	(250 bps)	(250 bps)	6.0%
Banking and Lending						
Loans and advances	**12,690**	**(8,175)**	**4,515**	38%	(51%)	9,167
Property and Casualty						
Gross written premiums	**1,423**	**(117)**	**1,306**	5%	(4%)	1,361

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

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

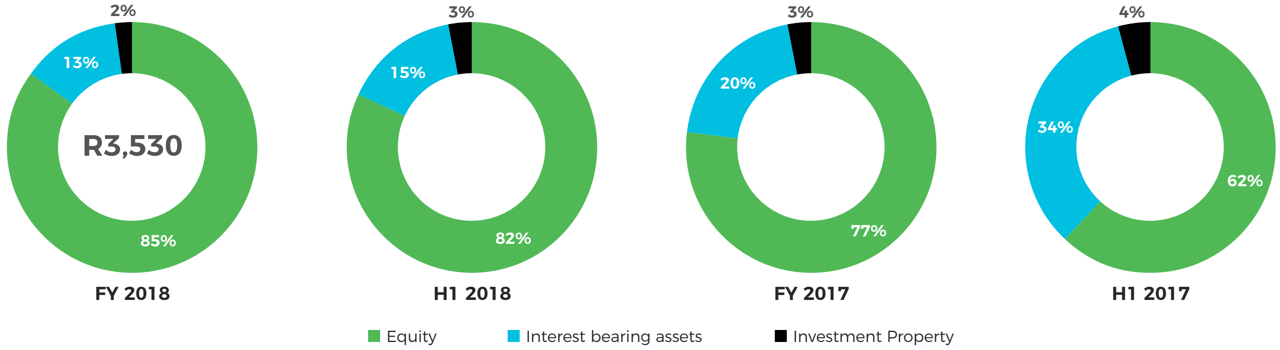
2.6.5.3 Zimbabwe

Rm	FY 2018 Before FC[1]	Impact[1]	Reported FY 2018[2]	Change Before FC %	Change Reported %	FY 2017
Results from Operations	**1,047**	**(223)**	**824**	22%	(4%)	857
Gross flows	**6,997**	**(1,738)**	**5 259**	9%	(18%)	6,431
Life APE sales	**232**	**(50)**	**182**	11%	(13%)	209
NCCF (Rbn)	**2.2**	**(0.5)**	**1.7**	69%	31%	1.3
FUM (Rbn)	**57.8**	**(40.1)**	**17.7**	74%	(47%)	33.3
VNB	**56**	**(12)**	**44**	(34%)	(48%)	85
VNB margin (%)	**3.8%**	**–**	**3.8%**	(230 bps)	(230 bps)	6.1%
Banking and Lending						
Loans and advances	**11,729**	**(8,175)**	**3,554**	37%	(58%)	8,532
Property and Casualty						
Gross written premiums	**549**	**(117)**	**432**	9%	(14%)	504

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

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

Invested shareholder assets by asset class – Zimbabwe (%)



3. Other Disclosures and Reconciliations

3.1 SOURCES OF EARNINGS

Rm	FY 2018			Change (FY 2018 vs FY 2017)		FY 2017		
	South Africa	Rest of Africa	Group	Value	%	South Africa	Rest of Africa	Group
New business strain	**(328)**	**(212)**	**(540)**	(164)	(44%)	(203)	(173)	(376)
Expected profits	**6,478**	**507**	**6,985**	198	3%	6,332	455	6,787
Non-economic experience items	**5**	**105**	**110**	(494)	(82%)	660	(56)	604
Experience variances	**17**	**148**	**165**	250	>100%	(72)	(13)	(85)
Assumption changes	**(12)**	**(43)**	**(55)**	(744)	>(100%)	732	(43)	689
Economic experience items	**753**	**46**	**799**	(223)	(22%)	900	122	1,022
Investment variances	**754**	**46**	**800**	24	3%	652	124	776
Assumption changes	**(1)**	**–**	**(1)**	(247)	(100%)	248	(2)	246
Life and Savings RFO[1]	**6,908**	**446**	**7,354**	(683)	(8%)	7,689	348	8,037
Asset Management RFO[1]	**893**	**366**	**1,259**	167	15%	880	212	1,092
Banking and Lending RFO	**663**	**603**	**1,266**	11	1%	699	556	1,255
Net earned premiums	**9,048**	**2,719**	**11,767**	558	5%	8,409	2,800	11,209
Net claims incurred	**(5,496)**	**(1,719)**	**(7,215)**	(504)	(8%)	(5,160)	(1,551)	(6,711)
Net commission expenses[2]	**(1,394)**	**(207)**	**(1,601)**	82	5%	(1,394)	(289)	(1,683)
Net operating expenses[2]	**(1,678)**	**(910)**	**(2,588)**	(50)	(2%)	(1,543)	(995)	(2,538)
Investment return on insurance funds	**244**	**–**	**244**	44	22%	200	–	200
Other income/(expenses)	**(54)**	**(44)**	**(98)**	(110)	>(100%)	12	–	12
Property and Casualty RFO	**670**	**(161)**	**509**	20	4%	524	(35)	489
Other RFO								
Central expenses[1]	**(425)**	**–**	**(425)**	81	16%	(506)	–	(506)
Results from Operations	**8,709**	**1,254**	**9,963**	(404)	(4%)	9,286	1,081	10,367
Shareholder investment returns[3]	**1,075**	**1,805**	**2,880**	(2,040)	(41%)	1,910	3,010	4,920
Finance costs	**(601)**	**–**	**(601)**	21	3%	(622)	–	(622)
Income from associates[4]	**2,593**	**–**	**2,593**	288	13%	2,305	–	2,305
Adjusted Headline Earnings before tax and non-controlling interests	**11,776**	**3,059**	**14,835**	(2,135)	(13%)	12,879	4,091	16,970
Shareholder tax	**(2,432)**	**(515)**	**(2,947)**	588	17%	(3,082)	(453)	(3,535)
Non-controlling interests	**(184)**	**(192)**	**(376)**	112	23%	(144)	(344)	(488)
Adjusted Headline Earnings	**9,160**	**2,352**	**11,512**	(1,435)	(11%)	9,653	3,294	12,947

1 Comparatives have been re-presented to show central expenses separately. These were previously included in Life and Savings and Asset Management.

2 Comparatives have been re-presented to accurately reflect intercompany elimination entries.

3 The elimination of shareholder investment return on Group instruments related to RoA was previously included as part of South Africa. These eliminations have been reallocated to RoA.

4 Income from associates includes our remaining stake in Nedbank and our investment in China.

3. Other Disclosures and Reconciliations (continued)

3.1 SOURCES OF EARNINGS (continued)

Rm	H1 2018 South Africa	H1 2018 Rest of Africa	H1 2018 Group	Change (H1 2018 vs H1 2017) Value	Change (H1 2018 vs H1 2017) %	H1 2017 South Africa	H1 2017 Rest of Africa	H1 2017 Group
New business strain	(223)	(113)	(336)	161	32%	(385)	(112)	(497)
Expected profits	3,432	303	3 735	149	4%	3,323	263	3,586
Non-economic experience items	(202)	(51)	(253)	(336)	>(100%)	177	(94)	83
Experience variances	(87)	(44)	(131)	(171)	>(100%)	108	(68)	40
Assumption changes	(115)	(7)	(122)	(165)	>(100%)	69	(26)	43
Economic experience items	308	1	309	(152)	(33%)	411	50	461
Investment variances	308	1	309	(152)	(33%)	411	50	461
Assumption changes	–	–	–	–	–	–	–	–
Life and Savings RFO[1]	3,315	140	3,455	(178)	(5%)	3,526	107	3,633
Asset Management RFO[1]	470	143	613	156	34%	349	108	457
Banking and Lending RFO	304	283	587	112	24%	263	212	475
Net earned premiums	4,247	1,299	5,546	(29)	(1%)	4,215	1 360	5,575
Net claims incurred[2]	(2,541)	(810)	(3,351)	(17)	(1%)	(2,525)	(809)	(3,334)
Net commission expenses[3]	(622)	(123)	(745)	131	15%	(695)	(181)	(876)
Net operating expenses[2,3]	(784)	(414)	(1,198)	130	10%	(899)	(429)	(1,328)
Investment return on insurance funds	96	–	96	(11)	(10%)	107	–	107
Other income/(expenses)	(26)	(40)	(66)	(63)	>(100%)	(3)	–	(3)
Property and Casualty RFO	370	(88)	282	141	100%	200	(59)	141
Other RFO								
Central expenses[1]	(89)	–	(89)	87	49%	(176)	–	(176)
Results from Operations	4,370	478	4,848	318	7%	4,162	368	4,530
Shareholder investment return[4]	547	630	1,177	(692)	(37%)	619	1,250	1,869
Finance costs	(337)	–	(337)	(51)	(18%)	(286)	–	(286)
Income from associates[5]	1,379	–	1,379	343	33%	1,036	–	1,036
Adjusted Headline Earnings before tax and non-controlling interests	5,959	1,108	7,067	(82)	(1%)	5,531	1,618	7,149
Shareholder tax	(1,315)	(251)	(1,566)	34	2%	(1,364)	(236)	(1,600)
Non-controlling interests	(78)	(30)	(108)	82	43%	(65)	(125)	(190)
Adjusted Headline Earnings	4,566	827	5,393	34	1%	4,102	1,257	5,359

1 *Comparatives have been re-presented to show central expenses separately. These were previously included in Life and Savings and Asset Management.*

2 *Following a methodology change in December 2017 claims administration costs are reported in net claims incurred.*

3 *Comparatives have been re-presented to accurately reflect intercompany elimination entries.*

4 *The elimination of shareholder investment return on Group instruments related to RoA was previously included as part of South Africa. These eliminations have been reallocated to RoA.*

5 *Income from associates includes our remaining stake in Nedbank and our investment in China.*

3. Other Disclosures and Reconciliations (continued)

3.1 SOURCES OF EARNINGS (continued)

This analysis is presented as additional information and is not representative of how the Group is managed.

Rm	FY 2018					
	Life and Savings	Asset Management	Banking and Lending	Property and Casualty	Other	Total
Mass and Foundation cluster	2,730	–	399	–	–	3,129
Personal Finance	1,813	208	–	–	–	2,021
Wealth and Investments	660	687	264	–	–	1,611
Old Mutual Corporate	1,705	(2)	–	–	–	1,703
Old Mutual Insure	–	–	–	670	–	670
Rest of Africa	446	366	603	(161)	–	1,254
Central expenses	–	–	–	–	(425)	(425)
Results from Operations	7,354	1,259	1,266	509	(425)	9,963
Shareholder investment return[1]	2,515	(69)	–	434	–	2,880
Finance costs	(556)	–	–	(45)	–	(601)
Income from associates	(88)	–	–	–	2,681	2,593
Adjusted headline earnings before tax	9,225	1,190	1,266	898	2,256	14,835
Shareholder tax	(2,135)	(409)	(290)	(232)	119	(2,947)
Non-controlling interests	(197)	5	(148)	(36)	–	(376)
Adjusted headline earnings	6,893	786	828	630	2,375	11,512

1 *Shareholder investment return in Asset Management includes net rental income from investment properties.*

Rm	FY 2017					
	Life and Savings	Asset Management	Banking and Lending	Property and Casualty	Other	Total
Mass and Foundation cluster	2,743	–	309	–	–	3,052
Personal Finance	2,947	203	–	–	–	3,150
Wealth and Investments	420	680	390	–	–	1,490
Old Mutual Corporate	1,579	(3)	–	–	–	1,576
Old Mutual Insure	–	–	–	524	–	524
Rest of Africa	348	212	556	(35)	–	1,081
Central expenses	–	–	–	–	(506)	(506)
Results from Operations	8,037	1,092	1,255	489	(506)	10,367
Shareholder investment return[1]	4,181	(37)	–	776	–	4,920
Finance costs	(622)	–	–	–	–	(622)
Income from associates	(41)	–	–	–	2,346	2,305
Adjusted headline earnings before tax	11,555	1,055	1,255	1,265	1,840	16,970
Shareholder tax	(2,800)	(303)	(278)	(296)	142	(3,535)
Non-controlling interests	(237)	(32)	(88)	(131)	–	(488)
Adjusted headline earnings	8,518	720	889	838	1,982	12,947

1 *Shareholder investment return in Asset Management includes net rental income from investment properties.*

3. Other Disclosures and Reconciliations (continued)

3.1 SOURCES OF EARNINGS (continued)

Rm	Life and Savings	Asset Management	Banking and Lending	Property and Casualty	Other	Total
	H1 2018					
Mass and Foundation cluster	1,345	–	189	–	–	1,534
Personal Finance	812	106	–	–	–	918
Wealth and Investments	302	366	115	–	–	783
Old Mutual Corporate	856	(2)	–	–	–	854
Old Mutual Insure	–	–	–	370	–	370
Rest of Africa	140	143	283	(88)	–	478
Central expenses	–	–	–	–	(89)	(89)
Results from Operations	3,455	613	587	282	(89)	4,848
Shareholder investment return[1]	954	–	–	223	–	1,177
Finance costs	(315)	–	–	(22)	–	(337)
Income from associates	(19)	–	–	–	1,398	1,379
Adjusted headline earnings before tax	4,075	613	587	483	1,309	7,067
Shareholder tax	(1,107)	(223)	(116)	(145)	25	(1,566)
Non-controlling interests	(57)	5	(45)	(11)	–	(108)
Adjusted headline earnings	2,911	395	426	327	1,334	5,393

1 *Shareholder investment return in Asset Management includes net rental income from investment properties.*

Rm	Life and Savings	Asset Management	Banking and Lending	Property and Casualty	Other	Total
	H1 2017					
Mass and Foundation cluster	1,214	–	92	–	–	1,306
Personal Finance	1,301	93	–	–	–	1,394
Wealth and Investments	211	256	171	–	–	638
Old Mutual Corporate	800	–	–	–	–	800
Old Mutual Insure	–	–	–	200	–	200
Rest of Africa	107	108	212	(59)	–	368
Central expenses	–	–	–	–	(176)	(176)
Results from Operations	3,633	457	475	141	(176)	4,530
Shareholder investment return[1]	1,566	(16)	–	319	–	1,869
Finance costs	(286)	–	–	–	–	(286)
Income from associates	(13)	–	–	–	1,049	1,036
Adjusted headline earnings before tax	4,900	441	475	460	873	7,149
Shareholder tax	(1,200)	(166)	(118)	(99)	(17)	(1,600)
Non-controlling interests	(108)	(12)	(30)	(40)	–	(190)
Adjusted headline earnings	3,592	263	327	321	856	5,359

1 *Shareholder investment return in Asset Management includes net rental income from investment properties.*

3. Other Disclosures and Reconciliations (continued)

3.2 SOLO SOLVENCY POSITION

Rbn	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017[1]
South Africa Life (OMLACSA)					
Eligible own funds	**78.2**	75.2	1.8	2%	76.4
Solvency capital requirement (SCR)	**34.8**	33.2	1.4	4%	33.4
Solvency ratio (%)[2]	**225%**	227%	–	(400 bps)	229%
Old Mutual Insure					
Eligible own funds	**4.0**	3.7	0.2	5%	3.8
Solvency capital requirement (SCR)	**2.5**	2.5	(0.1)	(4%)	2.6
Solvency ratio (%)[2]	**157%**	150%	–	800 bps	149%

1 FY 2017 amounts have been re-presented to exclude the impact of using an iterative risk margin approach to calculate solvency capital requirements as previously disclosed.

2 Due to rounding of own funds and SCR, the ratio could differ when calculated.

3.3 IFRS NAV TO GROUP OWN FUNDS

Rm	FY 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017[1]
IFRS Equity[2]	**78,021**	(27,345)	(26%)	105,366
Scoping adjustment[3]	**(7,376)**	30,385	80%	(37,761)
Treasury shares[4]	**6,902**	8	0,1%	6,894
Goodwill and other intangibles[5]	**(4,801)**	(999)	(26%)	(3,802)
Technical provisions (net of deferred tax)[6]	**32,325**	(743)	(2%)	33,068
Subordinated debt[7]	**9,062**	373	4%	8,689
Fungibility and eligibility adjustment[8]	**(10,042)**	3,151	24%	(13,193)
Foreseeable dividend	**(3,502)**	(1,273)	(57%)	(2,229)
Group own funds	**100,589**	3,557	4%	97,032

1 FY 2017 includes our remaining stake in Nedbank.

2 Reflects equity attributable to operating segments after adjusting for the net asset value of Quilter.

3 Deduction for entities included in IFRS reporting but not included in scope for Group Solvency reporting. The FY 2017 adjustment included the deduction of the Quilter business.

4 These are Old Mutual Limited shares that are eliminated per IFRS requirements but not under the Prudential Standards.

5 Goodwill and other intangibles are assets that are recognised per IFRS requirements but are deemed inadmissible for solvency reporting purposes. Included in the figure shown in the above reconciliation is 19.9% of Nedbank's goodwill and intangibles, based on the Prudential Authority's requirement to treat the Group's remaining stake in Nedbank as a participation when calculating the Group solvency position.

6 Prudential Standards use a best estimate liability basis to measure insurance liabilities. This effectively recognises an earnings component within the liabilities and results in an increase in capital requirements. This is partially offset by the recognition of the risk margin which replaces Prudential margins allowed for in IFRS insurance liabilities.

7 OMLACSA, Old Mutual Insure and Nedbank subordinated debt comprises tier 2 debt instruments counting towards the Prudential Standards position.

8 Restricted surplus includes excess own funds mainly from Residual plc and Zimbabwe. Further adjustments are made for eligibility requirements and the removal of inadmissible items.

3. Other Disclosures and Reconciliations (continued)

3.4 ADJUSTED HEADLINE EARNINGS TO IFRS PROFIT

Rm	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017	H1 2017
Adjusted Headline Earnings	**11,512**	5,393	(1,435)	(11%)	12,947	5,359
Investment return for Group equity and debt instruments in life funds	**(219)**	620	1,136	84%	(1 355)	106
Impact of restructuring	**(700)**	(450)	(646)	>(100%)	(54)	(81)
Discontinued operations[1]	**8,129**	4,536	(741)	(8%)	8,870	4,198
Income from associates[2]	**(2,132)**	(1,398)	214	9%	(2,346)	(1,049)
Residual plc[1]	**(2,349)**	(901)	2,569	52%	(4,918)	(1,507)
Headline earnings	**14,241**	7,800	1,097	8%	13,144	7,026
Impairment of goodwill and other intangible assets	**(627)**	(21)	453	42%	(1,080)	(720)
Impairment of associated undertakings	**(265)**	–	(265)	(100%)	–	–
Profit/(loss) on disposal of fixed assets	**51**	14	77	>100%	(26)	(12)
Profits on disposal of subsidiaries, associated undertakings and strategic investments	**23,166**	2,855	21,085	>100%	2,081	956
Profit after tax for the financial period attributable to ordinary equity holders of the parent	**36,566**	10,648	22,447	>100%	14,119	7,250
Dividends on preferred securities	**–**	–	(253)	(100%)	253	253
Profit after tax for the financial period attributable to equity holders of the parent	**36,566**	10,648	22,194	>100%	14,372	7,503

1 *Comparatives as disclosed in the SENS announcement on 7 August 2018, have been re-presented to reclassify the results of Old Mutual Bermuda from Residual plc to discontinued operations.*

2 *Income from associates includes our remaining stake in Nedbank.*

3. Other Disclosures and Reconciliations (continued)

3.5 RECONCILIATION OF SEGMENT PERFORMANCE INDICATORS

	Gross flows (Rm)				Life APE Sales (Rm)			
	FY 2018	H1 2018	FY 2017	H1 2017	**FY 2018**	H1 2018	FY 2017	H1 2017
Mass and Foundation Cluster	**13,700**	6,532	12,022	5,709	**4,579**	2,142	4,091	1,766
Personal Finance	**26,165**	12,970	24,947	12,440	**2,556**	1,221	2,502	1,241
Wealth and Investments	**89,214**	45,114	88,250	42,405	**1,308**	623	1,112	530
Old Mutual Corporate	**42,669**	21,723	35,671	16,760	**3,133**	1,451	2,719	1,159
Rest of Africa	**20,859**	9,986	21,306	10,356	**1,128**	555	1,347	542
Other Group Activities[1]	**584**	260	1,378	1,137	**234**	90	300	193
Intra-group eliminations	**(11,391)**	(5,022)	(10,257)	(5,465)	**(627)**	(272)	(559)	(292)
Group	**181,800**	91,563	173,317	83,342	**12,311**	5,810	11,512	5,139

	NCCF (Rbn)				FUM (Rbn)			
	FY 2018	H1 2018	FY 2017	H1 2017	**FY 2018**	H1 2018	FY 2017	H1 2017
Mass and Foundation Cluster	**6.5**	3.1	6.1	2.9	**12.7**	13.1	12.4	11.7
Personal Finance	**(3.6)**	(1.8)	(2.8)	(1.3)	**181.4**	188.5	193.7	192.0
Wealth and Investments	**10.8**	10.9	14.1	1.8	**502.7**	516.6	498.1	463.3
Old Mutual Corporate	**2.0**	0.8	(7.1)	(0.3)	**254.6**	258.2	255.6	251.6
Rest of Africa	**3.9**	0.7	2.2	1.6	**97.5**	116.0	104.0	96.7
Other Group Activities[1]	**(2.5)**	(1.8)	(1.3)	0.2	**42.2**	48.4	48.0	54.0
Intra-group eliminations	**(6.4)**	(2.5)	(5.6)	(3.3)	**(47.4)**	(43.8)	(39.5)	(35.7)
Group	**10.7**	9.4	5.6	1.6	**1 043.7**	1,097	1,072.3	1,033.6

	VNB (Rm)			
	FY 2018	H1 2018	FY 2017	H1 2017
Mass and Foundation Cluster	**1,222**	655	1,236	585
Personal Finance	**418**	100	366	87
Wealth and Investments	**117**	84	157	78
Old Mutual Corporate	**309**	168	254	130
Rest of Africa	**101**	102	267	127
Other Group Activities[1]	**–**	–	–	–
Intra-group eliminations	**–**	–	–	–
Group	**2,167**	1,109	2,280	1,007

1 *Other Group Activities includes investment in China.*

3.6 IFRS VALUE TO IFRS BORROWED FUNDS

			Change (FY 2018 vs FY 2017)		
Rm	**FY 2018**	H1 2018	Value	%	FY 2017
IFRS value of subordinated debt[1]	**6,548**	14,636	(7,666)	(54%)	14,214
Term loans and drawn credit facilities	**10,340**	6,496	5,688	>100%	4,652
Total borrowed funds	**16,888**	21,132	(1,978)	(11%)	18,866

1 *Includes subordinated debt securities of R6,548 million (FY 2017: R6,495 million) issued by operating segments and subordinated debt securities of R7,719 million in FY 2017 issued by Residual plc.*

3.7 ADJUSTED IFRS EQUITY FOR RONAV

Rbn	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	%	FY 2017
Equity attributable to the holders of the parent	**78.0**	104.6	(58.7)	(43%)	136.7
Equity in respect of assets held for sale or distribution	**(4.1)**	(48.9)	74.8	95%	(78.9)
Equity in respect of associated undertakings[1]	**(24.8)**	–	(24.8)	(100%)	–
Equity in respect of non-core operations[2]	**(3.1)**	(8.1)	11.4	79%	(14.5)
Equity attributable to operating segments	**46.0**	47.6	2.7	6%	43.3
Equity attributable to 19.9% Nedbank[3]	**18.6**	16.3	2.2	13%	16.4
Closing Adjusted IFRS equity[4]	**64.6**	63.9	4.9	8%	59.7

1 *This represents our remaining stake in Nedbank at fair value*

2 *Consolidation adjustments reflecting own shares held by consolidated funds have been included in equity in respect of non-core operations.*

3 *This represents our remaining stake in Nedbank at book value which is the basis on which we include Nedbank in RoNAV.*

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

The table below sets out the calculation of the one off fair value adjustment that has been made to closing Adjusted IFRS equity, and will be made on a go-forward basis, when calculating RoNAV for the Group. The fair value adjustment reflects the difference between the fair value and the net asset value of our retained interest in Nedbank on the date of unbundling.

Rbn	FY 2018
Fair value on date of unbundling[1]	**24.4**
Net asset value on date of unbundling	**(18.2)**
One off fair value adjustment	**6.2**

1 *Nedbank's closing share price on 12 October 2018 of R244.87.*

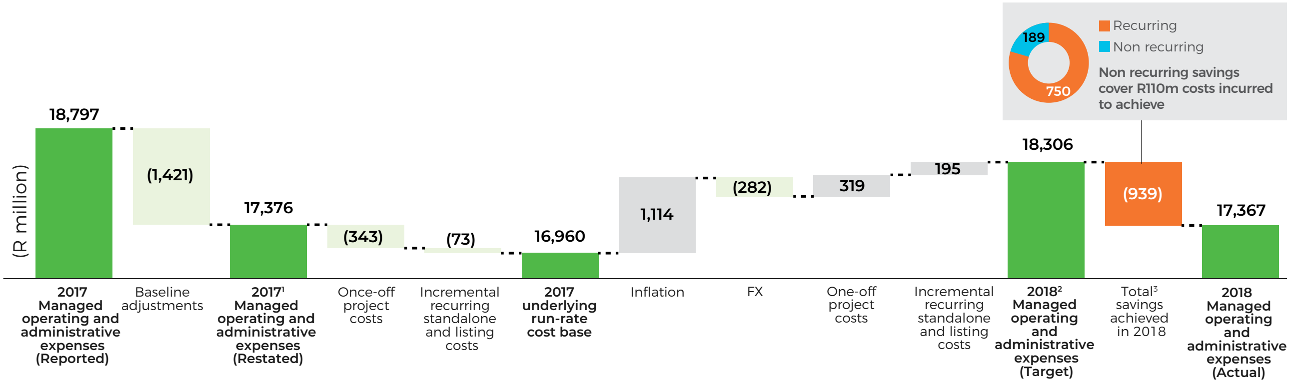
3.8 RESIDUAL PLC IFRS NAV TO ECONOMIC VALUE

£ million	At December 2018	At June 2018	At December 2017
UK gilts and cash	**235**	921	540
Investment in Quilter	**–**	24	–
Net intercompany funding	**–**	–	759
Other assets and liabilities	**37**	67	64
Old Mutual Bermuda	**3**	58	124
Third party debt	**–**	(449)	(461)
Residual plc IFRS NAV	**275**	621	1 026
Adjustment of debt valuation to risk free rate	**–**	(54)	n/a
Prefunding of plc Head office costs	**(6)**	(109)	n/a
Other[1]	**(48)**	(34)	n/a
Residual plc Economic NAV	**221**	424	n/a

1 *Includes Nedbank and Quilter shares held for purposes of remuneration schemes in Residual plc and therefore not included in the economic NAV.*

3. Other Disclosures and Reconciliations (continued)

3.9 COST EFFICIENCY TARGET – 2018 EXPENSE RECONCILIATION



1 *Re-presented to exclude certain commission related and the costs related to Latin America as this business is now classified as held for sale.*
2 *Target calculated as 2017 underlying run rate cost base adjusted for actual inflation and FX movements in 2018, project costs and incremental standalone and listing costs.*
3 *Calculated as difference between calculated target and actual managed operating and administrative expenses per note D8 in the condensed consolidated financial statements.*

3.10 GROUP EQUITY VALUE

R billion	2018 IFRS NAV	2018 GEV	2018 AHE[1]
Covered[2]	28.9	66.4	6.9
Non covered	15.1	28.3	2.2
Asset Management[3]	7.2	12.0	0.8
Banking and Lending[4]	3.4	8.6	0.8
Property and Casualty[5]	4.5	7.7	0.6
Other[6]	2.0	(6.8)	
GEV related to operating businesses	**46.0**	**87.9**	
South Africa	36.3	76.0	
Rest of Africa	9.7	11.9	
Nedbank[7]	24.8	27.3	2.7
Residual plc[8]	4.9	4.1	
Assets held for sale and distribution[9]	4.1	4.7	
Consolidation of funds	(1.8)	–	
Total	**78.0**	**124.0**	
GEV per share (cents)[10]		**2,575**	

1 *The table above excludes the earnings related to Residual plc and Latin America as these businesses are excluded from the perimeter of AHE. The valuations are based on the economic net asset value and the agreed proceeds, respectively.*
2 *Covered business consists of Life and Savings and was valued using the MCEV methodology set out in section 5 of the Additional Disclosures.*
3 *Material entities include Old Mutual Investment Group (OMIG) and Old Mutual Wealth (OMW). OMIG was valued using a combination of a discounted cash flow and peer P/E multiples. OMW was valued as a sum of its parts using a discounted cash flow and peer P/E multiples. Smaller entities were included at IFRS net asset value. Range of multiples: P/E 8 – 12.*
4 *Material entities include Specialised Finance, Old Mutual Finance and Central Africa Building Society (CABS). All material entities were valued using a combination of a discounted cash flow, peer P/E multiples, peer P/B multiples and comparable transactions where relevant. Smaller entities were included at IFRS net asset value. The financial results of CABS have been reduced by a factor of 3.3 to account for the change in functional currency in Zimbabwe which has negatively impacted the valuation. Range of multiples: P/E 6 – 9; P/B 1.1 – 1.5.*
5 *Material entities include Old Mutual Insure and UAP, both of which were valued using a combination of a discounted cash flow, peer P/E multiples and peer P/B multiples. The UAP valuation also included weightings for the over the counter price in Kenya and an independent Stanbic valuation which was commissioned by Old Mutual in 2017. Smaller entities were included at IFRS net asset value. Range of multiples: P/E 8 – 11; P/B 1.0 – 2.8.*
6 *Other includes the IFRS net asset value in holding companies (including cash), present value of central costs and subordinated debt at fair value.*
7 *Nedbank market value was calculated with reference to the closing price and number of shares held at 31 December 2018.*
8 *The Residual plc contribution to Group Equity Value is based on the realisable economic value of approximately £221 million at 31 December 2018, translated at the closing exchange rate on 31 December 2018. A reconciliation from IFRS net asset value to economic value has been provided in section 3 of the Additional Disclosures.*
9 *Assets held for sale and distribution includes Latin America and properties held for sale. The Latin America contribution to Group Equity Value was calculated using the agreed gross proceeds of $308 million, translated at the closing exchange rate on 31 December 2018.*
10 *Calculated as the Group Equity Value divided by the adjusted weighted average number of shares of 4,815 million.*

4. Economic Statistics

	FY 2018	H1 2018	Change (FY 2018 vs FY 2017) Value	Change (FY 2018 vs FY 2017) %	FY 2017	H1 2017
GBP:ZAR						
Average exchange rate (YTD)	**17.689**	16.927	0.5	3%	17.149	16.643
Closing exchange rate	**18.298**	18.127	1.5	9%	16.757	16.983
KES:ZAR						
Average exchange rate (YTD)	**0.131**	0.121	–	2%	0.129	0.128
Closing exchange rate	**0.141**	0.136	–	18%	0.120	0.126
USD:ZAR						
Average exchange rate (YTD)	**13.250**	12.306	(0.1)	(0.5%)	13.311	13.218
Closing exchange rate	**14.347**	13.725	2.0	16%	12.390	13.056
South African equity indices						
FTSE/JSE capped All Share	**44,297**	47,016	(3,681)	(8%)	47,978	41,569
JSE/FTSE Africa All Share Index	**52,737**	57,611	(6,768)	(11%)	59,505	51,611
JSE/FTSE Shareholder weighted All Share Index	**11,386**	12,457	(1,906)	(14%)	13,292	11,488
Rest of Africa equity indices						
Zimbabwe Industrial Index (USD)	**487**	343	163	50%	324	196
Nairobi Securities Exchange Ltd All Share Index (KES)	**140**	174	(31)	(18%)	171	153
Malawi All Share Index (ZAR)	**571**	583	202	55%	369	284
FTSE JSE Namibia Overall Index (ZAR)	**1,307**	1,284	7	1%	1,300	1,014
Global equity indices						
MSCI Emerging Markets Index (Net)	**445**	487	(76)	(15%)	521	450
Interest-bearing indices						
STEFI composite	**411**	397	28	7%	383	370
FSV discount rate used (%)	**9.4%**	9.2%	–	40 bps	9.0%	9.1%

5. Embedded Value

All disclosures are presented in line with Market Consistent Embedded Value (MCEV) principles, consistent with previously published disclosures.

5.1 COMPONENTS OF EMBEDDED VALUE

Rm	At 31 December 2018	At 31 December 2017
Adjusted net worth (ANW)	**34,542**	29,966
Free surplus	**10,348**	7,090
Required capital[1]	**24,194**	22,876
Value of in-force (VIF)	**31,856**	33,695
Present value of future profits (PVFP)	**38,480**	39,949
Frictional costs[2]	**(3,429)**	(3,866)
Cost of residual non-hedgeable risks (CNHR)[3]	**(3,195)**	(2,388)
Embedded value[4]	**66,398**	63,661

1 *Required capital has increased since 31 December 2017 mainly due to the growth in covered business book and a revision of the capital framework following the implementation of the Prudential Standards.*

2 *Frictional costs have reduced since 31 December 2017 following a review of the allocation of capital to different products.*

3 *The cost of residual non-hedgeable risks (CNHR) increased over the period due to the alignment of non-hedgeable risk capital with capital requirements based on the Prudential Standards.*

4 *Latin America was reclassified as discontinued operations and has therefore also been removed from the covered business and prior year comparatives (December 2017: R812 million).*

5.2 ANALYSIS OF CHANGE IN EMBEDDED VALUE

		FY 2018				
Rm	Note	Free surplus	Required capital	Adjusted net worth	Value of in-force	EV
Opening EV		7,090	22,876	29,966	33,695	63,661
New business value	5.3	(2,930)	2,283	(647)	2,814	2,167
Expected existing business contribution (reference rate)		482	1,323	1,805	3,048	4,853
Expected existing business contribution (in excess of reference rate)		24	271	295	448	743
Transfers from VIF and required capital to free surplus		8,198	(3,092)	5,106	(5,106)	–
Experience variances	5.4	510	99	609	(297)	312
Development cost variances[1]		(225)	–	(225)	–	(225)
Assumption and model changes	5.5	(730)	630	(100)	240	140
Operating EV earnings		5,329	1,514	6,843	1,147	7,990
Economic variances	5.6	(2,064)	2,148	84	(2,120)	(2,036)
Regulatory and tax changes		(12)	–	(12)	(1)	(13)
Total EV earnings		3,253	3,662	6,915	(974)	5,941
Closing adjustments		5	(2,344)	(2,339)	(865)	(3,204)
Capital and dividend flows[2]		288	11	299	–	299
Foreign exchange variance[3]		(283)	(2,355)	(2,638)	(865)	(3,503)
Closing EV[4]		10,348	24,194	34,542	31,856	66,398
Return on EV (RoEV)% per annum[5]						12.6%

1 *The development cost variances in 2018 include costs in respect of initiatives to support the expansion in Rest of Africa and building the Old Mutual brand, investment in information technology to improve customer experience and deliver efficiencies, and the development of alternative products and distribution capabilities.*

2 *Capital and dividend flows in 2018 relate mainly to the waiver of a further loan repayment due to Old Mutual plc in respect of the Zimbabwe Holding Company and the reclassification of Quilter shares to investment and securities. This was partly offset by a net dividend outflow from the Life and Savings business, to fund the external dividends.*

3 *The foreign exchange variance in 2018 relates mainly to the change in functional currency in Zimbabwe.*

4 *All EV results are after tax and non-controlling interests, unless stated otherwise.*

5 *Return on EV is calculated as the annualised operating EV earnings after tax divided by opening EV.*

5. Embedded Value (continued)

Rm	Note	FY 2017 Free surplus	Required capital	Adjusted net worth	Value of in-force	EV
Opening EV		6,161	20,900	27,061	31,383	58,444
New business value	5.3	(3,075)	2,536	(539)	2,819	2,280
Expected existing business contribution (reference rate)		377	1,326	1,703	3,123	4,826
Expected existing business contribution (in excess of reference rate)		146	251	397	409	806
Transfers from VIF and required capital to free surplus		7,049	(2,729)	4,320	(4,320)	–
Experience variances	5.4	692	(133)	559	(500)	59
Development cost variances		(269)	–	(269)	–	(269)
Assumption and model changes	5.5	(82)	515	433	109	542
Operating EV earnings		4,838	1,766	6,604	1,640	8,244
Economic variances	5.6	1,335	436	1,771	832	2,603
Regulatory and tax changes		38	–	38	6	44
Total EV earnings		6,211	2,202	8,413	2,478	10,891
Closing adjustments		(5,282)	(226)	(5,508)	(166)	(5,674)
Capital and dividend flows		(4,956)	(2)	(4,958)	(62)	(5,020)
Foreign exchange variance		(326)	(224)	(550)	(104)	(654)
Closing EV		7,090	22,876	29,966	33,695	63,661
Return on EV (RoEV)% per annum						14.1%

5.3 NEW BUSINESS

5.3.1 Drivers of new business profitability

%	FY 2018	FY 2017
VNB margin at the end of comparative reporting period	**3.5**	3.4
Change in volume and new business expenses	–	(0.2)
Change in country and product mix[1]	**(0.4)**	0.2
Change in assumptions and models[2]	**0.1**	0.1
Change in economic assumptions	–	–
Change in tax/regulation	–	–
VNB margin at the end of the reporting period	**3.2**	3.5

1 *The reduction in margin in FY 2018 is a result of Mass and Foundation Cluster, Personal Finance and Rest of Africa selling lower margin business than in FY 2017.*

2 *The change in FY 2018 pertains to the impact of basis changes implemented at December 2018. The positive impact of the removal of dividend withholding tax from the embedded value calculations (as a result of Managed Separation restructuring) and the release of the Life and Savings central expense provision (following such expenses moving to Other Group Activities) were partly offset by the negative impacts of modelling changes in Namibia.*

5.3.2 Value of new business and new business profitability

Rm	FY 2018 Annualised recurring premiums	Single premiums	PVNBP	PVNBP capitalisation[1]	VNB	VNB margin
South Africa	**6,692**	**37,691**	**62,390**	**3.7**	**2,066**	**3.3%**
Mass and Foundation Cluster[2]	**4,088**	**32**	**11,902**	**2.9**	**1,222**	**10.3%**
Personal Finance	**1,650**	**9,063**	**16,176**	**4.3**	**418**	**2.6%**
Wealth and Investments	**72**	**12,358**	**12,431**	**1.0**	**117**	**0.9%**
Old Mutual Corporate	**921**	**22,120**	**27,763**	**6.1**	**309**	**1.1%**
Intra-group eliminations[3]	**(39)**	**(5,882)**	**(5,882)**	**–**	**–**	**–**
Rest of Africa	**871**	**2,565**	**5,411**	**3.3**	**101**	**1.9%**
Southern Africa	**658**	**2,558**	**4,929**	**3.6**	**173**	**3.5%**
East Africa	**123**	**–**	**211**	**1.7**	**(25)**	**(11.2%)**
West Africa	**90**	**7**	**271**	**2.9**	**(47)**	**(17.6%)**
Group	**7,563**	**40,256**	**67,801**	**3.6**	**2,167**	**3.2%**

1 The PVNBP capitalisation factors are calculated as follows: (PVNBP – single premiums)/annualised recurring premiums.
2 Annualised recurring premiums differ from the amount disclosed in table 2.1.1. The difference of R488 million represents savings life APE sales sold by MFC.
3 Sales of Old Mutual Corporate products through the retail platform are included in Personal Finance, Wealth and Investments as well as Old Mutual Corporate sales, but are eliminated on consolidation.

Rm	FY 2017 Annualised recurring premiums	Single premiums	PVNBP	PVNBP capitalisation	VNB	VNB margin
South Africa	6,290	31,507	59,083	4.4	2,013	3.4%
Mass and Foundation Cluster	3,665	29	11,634	3.2	1,236	10.6%
Personal Finance	1,671	8,309	15,561	4.3	366	2.4%
Wealth and Investments	39	10,722	10,761	1.0	157	1.5%
Old Mutual Corporate	915	18,033	26,713	9.5	254	1.0%
Intra-group eliminations		(5,586)	(5,586)			
Rest of Africa	1,109	2,375	6,214	3.5	267	4.3%
Southern Africa	894	2,369	5,651	3.7	337	6.0%
East Africa	100	–	172	1.7	(38)	(22%)
West Africa	115	6	391	3.3	(32)	(8%)
Group	7,400	33,882	65,297	4.2	2,280	3.5%

5. Embedded Value (continued)

5.4 EXPERIENCE VARIANCES

	FY 2018			FY 2017		
Rm	**ANW**	**VIF**	**EV**	ANW	VIF	EV
Persistency[1]	**83**	**(413)**	**(330)**	139	(501)	(362)
Risk[2]	**(22)**	**36**	**14**	78	81	159
Expenses[3]	**383**	**83**	**466**	254	99	353
Other[4]	**165**	**(3)**	**162**	88	(179)	(91)
Experience variances	**609**	**(297)**	**312**	559	(500)	59

1 *Persistency losses in 2018 were impacted by unfavourable experience in Old Mutual Corporate, mainly due to a large scheme reviewing its investment strategy.*

2 *Claims experience deteriorated in 2018 due to poor mortality and morbidity experience in Personal Finance in H1 2018 and continued poor group morbidity experience in Old Mutual Corporate*

3 *Expense profits in 2018 reflect good expense management across the business and increased expense relief.*

4 *Other experience items improved from FY 2017, as a result of higher than expected premium and cover increases in the Mass and Foundation Cluster and the favourable impact of prior year assumption changes impacting the variance.*

5.5 ASSUMPTION AND MODEL CHANGES

	FY 2018			FY 2017		
Rm	**ANW**	**VIF**	**EV**	ANW	VIF	EV
Persistency[1]	**(50)**	**(630)**	**(680)**	(3)	(247)	(250)
Risk	**–**	**(56)**	**(56)**	339	(10)	329
Expenses[2]	**108**	**(60)**	**48**	464	(37)	427
Model and other changes[3]	**(158)**	**986**	**828**	(367)	403	36
Assumption and model changes	**(100)**	**240**	**140**	433	109	542

1 *In light of the higher benefit payments on the Corporate savings business in 2018, and the position in the current economic cycle, a further provision has been established to allow for higher expected investment benefit outflows in the short term.*

2 *Unit costs within Old Mutual Corporate were rebased and an inflation margin in Mass and Foundation Cluster removed. This was partly offset by the strengthening of the expense assumptions in Rest of Africa.*

3 *Model changes in 2018 include the release of the Life and Savings central expense provision following such expenses moving to Other Group Activities, removal of dividend withholding tax from the embedded value calculations as a result of Managed Separation restructuring, partly offset by the impact of aligning embedded value capital to the Prudential Standards and updates to premium projection methodology in Old Mutual Corporate.*

5.6 ECONOMIC VARIANCES

	FY 2018			FY 2017		
Rm	**ANW**	**VIF**	**EV**	ANW	VIF	EV
Investment variance on in-force business[1]	**602**	**(1,988)**	**(1,386)**	559	397	956
Investment variance on adjusted net worth[2]	**(517)**	**–**	**(517)**	1,035	–	1,035
Impact of economic assumption changes[3]	**(1)**	**(132)**	**(133)**	177	435	612
Economic variances	**84**	**(2,120)**	**(2,036)**	1,771	832	2,603

1 *The negative VIF impact in 2018 is due to lower than expected investment returns on policyholder funds resulting in a reduction in expected asset-based fee income on most investment and smooth bonus products in South Africa.*

2 *The negative investment variance on ANW in 2018 relates mostly to lower than expected investment return on shareholder funds in South Africa as a result of poor equity markets partly offset by better than expected returns in Rest of Africa.*

3 *The overall negative impact from economic assumption changes in 2018 is mostly due to bond yield curve changes implying a reduction in expected inflation reducing future premium and cover increases.*

5. Embedded Value (continued)

5.7 EMBEDDED VALUE RECONCILIATIONS

5.7.1 Reconciliation of IFRS equity to embedded value

Rm	FY 2018	FY 2017
IFRS equity attributable to operating segments[1]	**45,979**	43,281
Less IFRS equity value for non-covered business	**(17,119)**	(16,086)
IFRS equity for covered business	**28,860**	27,195
Adjustment to include long term business[2]	**(1,083)**	(894)
Inclusion of Group equity and debt instruments held in life funds	**7,052**	4,517
Other[3]	**(287)**	(852)
Adjusted net worth attributable to ordinary equity holders of the parent	**34,542**	29,966
Value of in-force business	**31,856**	33,695
Embedded Value	**66,398**	63,661

1 *Excludes IFRS equity attributable to Residual plc, assets held for sale or distribution, associated undertakings and consolidation of funds.*
2 *The adjustment reflects removing deferred acquisition costs and deferred tax differences.*
3 *Adjustment to allow for non-controlling interest in Zimbabwe.*

5.7.2 Reconciliation of adjusted headline earnings to total embedded value earnings

Rm	FY 2018	FY 2017[1]
Adjusted Headline Earnings after tax and non-controlling interest	**11,512**	12,947
Less AHE after tax and non-controlling interest related to non-covered business	**(4,619)**	(4,429)
Life and Savings AHE after tax and non-controlling interest[2]	**6,893**	8,518
Other adjustments[3]	**22**	(105)
Adjusted net worth total earnings	**6,915**	8,413
Other value of in-force total earnings[4]	**(974)**	2,478
Covered business EV total earnings	**5,941**	10,891

1 *FY2017 was re-presented due to the reallocation of central expenses in South Africa.*
2 *The reduction in Life and Savings AHE compared to FY 2017 is mainly due to lower equity returns on shareholder funds, lower assumption and model changes.*
3 *Other adjustments in 2018 comprise of the exclusion of non covered life operations in China and changes to intangible assets, partly offset by restructuring costs not included in AHE.*
4 *The reduction in VIF total earnings compared to FY 2017 largely reflects the impact of adverse economic variances.*

5.8 EXPECTED RETURN FOR THE FOLLOWING PERIOD

The following table sets out the expected existing business contribution for the year ending 31 December 2019, based on the 31 December 2018 closing MCEV.

	Year ended 31 December 2019				
Rm	Free surplus	Required capital	Adjusted net worth	Value of in-force	EV
Expected existing business contribution (reference rate)	**733**	**1,503**	**2,236**	**3,172**	**5,408**
Expected existing business contribution (in excess of reference rate)	**75**	**292**	**367**	**268**	**635**

5. Embedded Value (continued)

5.9 EMBEDDED VALUE SENSITIVITIES

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.

	FY 2018		
Rm	**EV**	**VIF**	**VNB**
Central assumptions	**66,398**	**31,856**	**2,167**
Value given changes in:			
Economic assumptions 100bps increase[1]	66,375	31,828	2,049
Economic assumptions 100bps decrease[1]	66,093	31,557	2,313
Equity/property market value 10% increase[2]	68,623	33,264	2,167
Equity/property market value 10% decrease[2]	64,147	30,408	2,167
10 bps increase of liquidity spreads[3]	66,557	32,015	2,178
50 bps contraction on corporate bond spreads[4]	66,781	31,856	2,178
25% increase in equity/property implied volatilities[5]	65,112	30,570	2,167
25% increase in swaption implied volatilities[6]	66,338	31,796	2,167
10% decrease in discontinuance rates[7]	68,003	33,461	2,754
10% decrease in maintenance expenses[8]	68,297	33,756	2,338
5% decrease in mortality/morbidity rates[9]	69,175	34,634	2,410
5% decrease in annuitant mortality assumption[10]	66,110	31,568	2,142
VNB: 10% increase in acquisition expenses[11]	66,398	31,856	1,985
VNB: closing economic assumptions[12]	66,398	31,856	2,110

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

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

4 *50 bps contraction on corporate bond spreads*

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

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

7 *10% decrease in discontinuance rate*

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

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

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

11 *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.*

12 *VNB on closing economic assumptions: Value of new business calculated on economic assumptions at the end of the reporting period.*

5.10 EMBEDDED VALUE METHODOLOGY AND ASSUMPTIONS

The methodology used to calculate embedded value and the manner of determining embedded value assumptions at 31 December 2018 is consistent with 31 December 2017 unless explicitly noted in this disclosure.

5.10.1 Methodology

The **Market Consistent Embedded Value 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. We have not changed our 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 Solvency II methodologies and assumptions.

Apart from Principle 14 the Principles have been **materially complied with** in the preparation of MCEV information at 31 December 2018. 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 (based on the Prudential Standards) which uses a government bond curve as the default risk free rate. Where the liabilities are hedged with swaps, the risk free rate will remain the swap rate which is allowed under the Prudential Standards requirements with prior Prudential Authority approval. This is however only a small percentage of covered business. The reference curve and resulting embedded value is still considered to be market consistent as it is derived directly from market indicators. Namibia uses the same reference curves as South Africa.

The covered business within certain **African entities** (Kenya, Uganda, 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.

The **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 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 (i.e. expected future profits for this business are not capitalised for MCEV reporting purposes).

Some types of business are legally written by a life company but are classified as **asset management under IFRS** because 'long term business' only serves as a wrapper. This business is excluded from covered business.

The EV consists of the sum of the ANW excluding intangibles and goodwill, plus the VIF on covered business. The ANW consists of the free surplus and the required capital to support the business. The VIF on covered business consists of the present value of future profits (PVFP), less the time value of financial options and guarantees, less frictional costs of required capital, less cost of non-hedgeable risk (CNHR).

The ANW is the market value of shareholder assets with respect to covered business after allowing for liabilities on an adjusted IFRS basis after the removal of intangibles. The liability to repay and finance the **subordinated debt** allocated to the covered business has been allowed for in the ANW.

The **required capital** is determined with reference to internal management objectives. Required capital is calculated using the Prudential Standards basis using the Group's preferred methodology where methodological choices are available. These are in the process of being reviewed by the regulator.

The PVFP 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, including the value of contractual renewal of in-force business, on a best estimate basis where assumed earned rates of return and discount rates are equal to the risk free reference rates.

Allowance is made in the determination of EV for the potential impact of variability of investment returns (i.e. asymmetric impact) on future shareholder cash flows of policyholder financial options and guarantees within the in-force covered business. 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. The calculation of the value of financial options and guarantees (including the allowance in ANW and VIF components of EV) is based on market consistent stochastic modelling techniques. In the generated economic scenarios, allowance is made, where appropriate, for the effect of dynamic management and/or policyholder actions in different circumstances.

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. The run-off pattern of the required capital is projected on an approximate basis over the lifetime of the underlying risks.

5. Embedded Value (continued)

5.10 EMBEDDED VALUE METHODOLOGY AND ASSUMPTIONS (continued)

An allowance is made in the CNHR to reflect uncertainty in the best estimate of shareholder cash flows as a result of both symmetric and asymmetric non-hedgeable risks since these risks cannot be hedged in deep and liquid capital markets and are managed, inter alia, by holding risk capital. CNHR is calculated using a cost of capital approach, i.e. 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. The amount of diversified capital held in respect of residual non-hedgeable risks is R25,668 million at December 2018 (December 2017: R16,884 million). The risks considered include mortality and morbidity, persistency and expense risk (among others), but excludes market risks.

For participating business, the method of valuation makes assumptions about **future bonus rates** and the determination of **profit allocation between policyholders and shareholders**. These assumptions are made on a basis consistent with other projection assumptions, especially the projected future risk free investment returns, established Company practice (with due consideration of the PPFM for South African business), past external communication, any payout smoothing strategy, local market practice, regulatory/contractual restrictions and bonus participation rules. Where current benefit levels are higher than can be supported by the existing fund assets together with projected investment returns, a downward 'glide path' in benefit levels is projected so that the policyholder fund would be exhausted on payment of the last benefit.

In valuing shareholders' cash flows, allowance is made in the cash flow projections for **taxes** in the relevant jurisdiction affecting the covered business. Tax assumptions are based on best estimate assumptions, applying current local corporate tax legislation and practice together with known future changes and taking credit for any deferred tax assets. The value of deferred tax assets is partly recognised in the EV. 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.

The market consistent **VNB** measures the value of the future profits expected to emerge from all new business sold, and in certain cases from premium increases to existing contracts, during the reporting period after allowance for the time value of financial options and guarantees, frictional costs and the cost of residual non-hedgeable risks associated with writing the new business. VNB includes contractual renewals and voluntary increments that are not allowed for in PVFP. Where increases are allowed for in PVFP, variations from this expectation are classified as experience variance, rather than new business. 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 standalone 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.

PVNBP is calculated at point of sale using premiums before reinsurance and applying a valuation approach that is consistent with the calculation of VNB.

5.10.2 Assumptions

5.10.2.1 Economic assumptions

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 (based on market data from the Bond Exchange of South Africa) and compared to the Bloomberg swap yield curve, for reasonability. The government bond curve is published by the Prudential Authority in South Africa and validated internally.

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.

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. The expected asset returns, in excess of the risk free reference rates, only impact the calculation of the expected existing business contribution in the analysis of EV earnings.

The **cash return** equals the one year risk free reference rate.

5.10 EMBEDDED VALUE METHODOLOGY AND ASSUMPTIONS (continued)

The **bond return** equals the one year risk free reference rate (plus the liquidity premium for applicable product portfolios).

All **other economic assumptions**, for example future bonus rates, are set at levels consistent with the real world investment return assumptions.

The economic assumptions in **non-South African entities** were set with reference to local economic conditions.

South African risk free reference spot yields[1] and expense inflation	At 31 December 2018	At 31 December 2017
Risk free (based on bond curve)		
1 year	**7.6%**	7.3%
5 years	**8.6%**	8.1%
10 years	**9.8%**	9.3%
20 years	**10.6%**	10.5%
Expense inflation (based on bond curve)		
1 year	**5.3%**	5.6%
5 years	**5.7%**	6.0%
10 years	**6.5%**	7.0%
20 years	**7.2%**	8.1%

Pre-tax real world economic assumptions	31 December 2018	31 December 2017
Personal Finance illiquidity premium[2]	**0.7%**	0.8%
Old Mutual Corporate illiquidity premium (inflation linked annuities)[2]	**0.5%**	0.5%
Old Mutual Corporate illiquidity premium (non-profit annuities)[2]	**1.2%**	3.7%
Equity risk premium	**3,7%**	3,7%
Property risk premium	**1.5%**	1.5%
Weighted average effective tax rate[3]	**27.4%**	29.0%

1 *Excluding illiquidity adjustments.*

2 *An illiquidity premium adjustment has been added to the reference rates of OMLACSA's immediate annuity business (Personal Finance and Old Mutual Corporate immediate annuities) for setting investment return and discounting assumptions.*

3 *The reduction in the weighted average effective tax rate relates to the removal of dividend withholding tax from the EV earnings, which is no longer payable following Managed Separation.*

5.10.2.2 Non-economic assumptions

The non-economic assumptions are determined using **best estimate assumptions** of future cash flows and have regard to past, current and expected future experience where sufficient evidence exists (entity-specific and industry data).

These assumptions are based on the covered business being part of a **going concern**. Favourable changes in maintenance expenses are generally not included beyond what has been achieved by the end of the reporting period.

All expected **maintenance expense overruns** affecting the covered business are allowed for in the calculations at the time identified.

The EV makes provision for **future development costs and one-off expenses** relating to in-force covered business that are known with sufficient certainty, based on three-year business plans.

KPI Definitions

6. KPI DEFINITIONS

KPI	Definition
Results from Operations	The primary measure of the business performance of the operating segments. Calculated as Adjusted Headline Earnings before shareholder tax and non-controlling interests, excluding net investment return on shareholder assets and finance costs.
Adjusted Headline Earnings	The Group profit measure that adjusts headline earnings, as defined by SAICA Circular 2/2015, for the impact of material transactions, non-core operations and any IFRS accounting treatments that don't fairly reflect the economic performance of the business.
Return on Net Asset Value	Adjusted Headline Earnings divided by average Adjusted IFRS Equity. Adjusted IFRS Equity is calculated as IFRS equity attributable to operating segments 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. Return on Net Asset Value is pro forma financial information, prepared to more accurately reflect the long term economic performance of the Group. This pro forma financial information should be read in conjunction with the unmodified independent reporting accountants' report included on page 150 and 151.
Free Surplus Generated from Operations	Free Surplus Generated from Operations represents the net cash generated from the operations that contribute to AHE after allowing for normal course investment in the business and the impact of any fungibility constraints.
Group solvency ratio	Group eligible own funds (OF) divided by the solvency capital requirement (SCR) calculated on the Prudential Standards.
Gross flows	The gross cash flows received from customers during the period by Group businesses engaged in Life and Savings and Asset Management.
Life APE sales	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.
NCCF	The difference between gross flows and cash returned to customers (e.g. claims, surrenders, maturities) during the period.
FUM	The total market value of funds managed by the Group, at the point at which funds flow into the Group.
VNB	The discounted value of expected future profits arising from new life insurance business sold in the reporting period.
VNB margin	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.
Gross Written Premiums	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	Underwriting result as a percentage of net premiums earned. It is calculated for the Property and Casualty businesses across the Group.
Loans and advances	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	Net interest income plus non-interest revenue minus credit losses, as a percentage of average loans and advances over the period.

7. Independent reporting accountants' assurance report

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

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

To the Directors of Old Mutual Limited

Introduction

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

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

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

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

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

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

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

Directors' responsibility for the Non-IFRS Financial Information

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

Our independence and quality control

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

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

7. Independent reporting accountant's assurance report (continued)

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

Independent Reporting Accountants' responsibility

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

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

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

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

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

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

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

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

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

Opinion

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

Purpose of this report

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

KPMG Inc.
Registered Auditor
Per Gary Pickering
Chartered Accountant (SA)
Director

10 March 2019

KPMG Crescent
85 Empire Road,
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Deloitte & Touche
Registered Auditor
Per Alex Arterton
Chartered Accountant (SA)
Partner

10 March 2019

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Administration

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

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Company Secretary
Kirsten, Elsabé Margaretha

Transfer secretaries
Link Market Services South Africa (Pty) Limited

Directors

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

Non-executive Directors
Rapiya, Bahleli Marshall

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

Public Officer
Gary Eaves

www.oldmutual.com