

Old Mutual Limited
Incorporated in the Republic of South Africa
Registration number: 2017/235138/06
ISIN: ZAE000255360
LEI: 213800MON84ZWWPQCN47
JSE Share Code: OMU
MSE Share Code: OMU
NSX Share Code: OMM
ZSE Share Code: OMU
("Old Mutual" or "OM" or "the Company") Ref

03/21

23 March 2021

Short-form announcement: Annual results for the year ended 31 December 2020

A MESSAGE FROM OUR CEO

2020 was one of the most challenging years our organisation has ever faced. Our business remained well capitalised through the execution of decisive management actions and our liquidity position was strong, despite the material negative impact COVID-19 had on our earnings. The fundamentals of our business were tested through this extreme scenario but we remained true to our purpose of championing mutually positive futures every day and our diversified business model enabled us to demonstrate resilience in this environment.

We remained deeply committed to supporting our customers, employees and communities through these unprecedented times. During 2020 we supported customers and their families through fast tracked payment of approximately R13 billion in mortality claims during the year. As part of our ongoing relief initiatives to customers we made interim payments in respect of business interruption claims to qualifying SME customers, to enable them to continue operating. We offered various financial support initiatives to provide relief to customers, intermediaries, communities and our employees. We have extended premium free cover to frontline healthcare workers in South Africa, Malawi and Zimbabwe. In many of our operations across the continent we donated medical supplies, protective equipment and funding to frontline health care workers and regional hospitals.

Despite the impact to earnings, strong gross inflows throughout the year drove a significant increase in NCCF demonstrating the resilience of our business. We have experienced good recovery in adviser productivity levels and new business sales volumes in the second half of the year following the very low levels in the second quarter at the height of lockdown restrictions in South Africa. Lockdown restrictions had a material impact on our ability to interact face to face with our customers, particularly during the second quarter. Digital offerings to enhance the customer experience, that were already in development as part of our vision to build a leading African digital platform business, were accelerated and rolled out during the year, enabling us to meet customer needs remotely. In South Africa, we introduced alternative direct digital channels such as email, USSD and WhatsApp platforms to pay funeral claims and facilitate disinvestments. Take up rates of these channels have accelerated significantly in the fourth quarter with strong traction in 2021. In the Southern and East African regions, we introduced USSD features and a Facebook Messenger Chatbot to assist customers with to open investment accounts, manage their accounts and request withdrawals. We have refreshed our public websites and mobile applications to provide access to all of our solutions in one place with intuitive navigation according to customer needs. Through this we achieved the automation of various key customer journeys and experienced strong growth in our active digital customer count.

We have made good strides operationally and simplification remains a key focus area to enhance efficiencies across the business. Areas of progress include the consolidation of debt programmes, continued digital enablement and the migration of approximately 15% of workloads to cloud infrastructure to date. We have seen significant progress in the roll out of Old Mutual Protect, more than 10,000 advisers are accredited to provide the new product offerings and enabled to make use of the digital platform. Approximately 202,000 applications were issued for Old Mutual Protect in 2020, with over 125,000 of these issued in the fourth quarter. During 2021, a savings and income proposition will be offered alongside the Old Mutual Protect range utilising the same core infrastructure, which will complete the refresh of our Life and savings offering in South Africa and Namibia. In addition, the simplified new non advice funeral product rolled out in branches and distributed through loan consultants has been well received by customers.

We have presented a view of Results from Operations where we exclude certain direct COVID-19 impacts, this being a non-IFRS measure. Only items that are directly attributable to COVID-19, separately identifiable and reliably measurable have been excluded in this view. We have not made any pro forma adjustments for impacts such as the loss of earnings due to lower sales activity resulting from lockdown restrictions. Results from Operations excluding direct COVID-19 impacts decreased by 14% from the prior year largely due to lower sales volumes in Life and Savings impacted by lockdown restrictions, the non repeat of significant positive basis changes in the prior year and higher credit losses in the banking business as customers continue to face financial pressure. These impacts were partially offset by the optimisation of hedging strategies which led to a reserve release of R1.8 billion due to a reduction in interest rate risk. Results from Operations decreased by 81% from the prior year largely due to the net pandemic impact of R4,393 million. Business interruption and rescue reserves of R791 million and mark to market losses of R704 million related to unlisted equity and a portfolio of credit exposures further contributed to the decrease in profits. A management overlay referencing several possible economic recovery scenarios and their impact on the credit environment resulted in an increase of R169 million in the expected credit loss provision in South Africa, Namibia and East Africa. We have excluded the total positive underwriting result of R293 million in the Personal lines business in Old Mutual Insure as we benefitted from a significant reduction in claims volumes as a result of lower customer activity levels due to lockdown restrictions.

We are excited to have launched our Truly Mutual strategy, underpinned by five interconnected strategic pillars. When we listed in Africa in 2018 we communicated our medium term focus areas and reported on these over the past reporting periods. In parallel, we have been formulating a longer term strategy that was approved by the Board. In setting our new strategy the overarching vision is to be our customers' first choice for their financial needs through the services we offer. We believe that successful execution on the five pillars will enable us to be our customers' first choice and allow us to build the most valuable businesses in the industry, delivering sustainable long term value for shareholders.

Iain Williamson
Chief Executive Officer

GROUP HIGHLIGHTS

(Rm unless otherwise stated)	FY 2020	FY 2019	% change (FY 2020 vs FY 2019)
Adjusted Headline Earnings (AHE)	2,484	9,856	(75%)
Adjusted Headline Earnings per share (cents)	54.3	209.3	(74%)
Results from Operations (RFO) excluding direct COVID-19 impacts	7,742	8,972	(14%)
Results from Operations (RFO)	1,663	8,972	(81%)
Final dividend per share (cents)	35	75	(53%)
Return on Net Asset Value (RoNAV) (%)	3.8%	15.2%	(1140 bps)
FUM (Rbn)	1,104.6	1,048.5	5%
Life APE sales	9,786	12,268	(20%)
Gross flows	187,137	170,689	10%
NCCF (Rbn)	9.6	2.2	>100%
Free Surplus Generated from Operations	4,700	6,794	(31%)
% of AHE converted to Free Surplus Generated	189%	69%	12000 bps
Group Solvency ratio(%) ^{1,2}	185%	189%	(400 bps)

1 These metrics include the results of Zimbabwe. All other key performance indicators exclude Zimbabwe.

2 We have re-presented the December 2019 solvency position in line with the final group designation by the Prudential Authority received during 2020.

Changes in the macro environment including negative GDP growth forecasts and interest rate cuts, have resulted in increased uncertainty around future cashflow projections for certain assets. We continue to remain cautious in assessing the valuations of underlying investments. During the first half of the year, we recognised an impairment of goodwill in respect of our investment in Old Mutual Finance. This was largely driven by the decline in GDP growth outlook for South Africa. We also recognised an impairment in respect of our investment in Nedbank, triggered by the significant decline in the Nedbank share price. As part of our full year assessment, we have reviewed the assumptions and economic recovery scenarios in our valuation models and concluded that no further impairments were required. These impairments are recognised in the IFRS income statement, however, are not recognised in Headline Earnings (HE) as this is an explicit adjusting item in accordance with the JSE Circular. Accordingly, they are also not recognised in AHE.

IFRS HIGHLIGHTS

(Rm unless otherwise stated)	FY 2020	FY 2019	% change (FY 2020 vs FY 2019)
IFRS (Loss)/Profit after tax attributable to equity holders of the parent	(5,097)	9,386	(>100%)
Headline Earnings (HE)	5,088	10,641	(52%)
Basic earnings per share (cents)	(116.3)	208.3	(>100%)
Headline Earnings per share (HEPS)	116.1	236.1	(51%)

OUTLOOK

During the second half of the year, we focused on maintaining strong levels of solvency and liquidity and identifying opportunities for simplification and efficiencies in our business. This will continue to be an important focus as we transition the business out of this period of global crisis. We are focused on driving recovery in RFO to 2019 levels and improving RoNAV to above cost of equity as rapidly as possible, however the pace of the recovery will depend on GDP growth and equity market levels. We expect to achieve this recovery by 2023, and these targets have been included in executive remuneration incentive plans. Our VNB margin is unlikely to fully recover in 2021, however as sales and productivity levels return to historic levels this will improve the VNB margin. In the medium term we are targeting a VNB margin of between 1.5% and 3%. We remain committed to delivering R750 million of pre-tax run rate cost savings by the end of 2022. We expect these savings to be delivered largely through efficiency improvements in Old Mutual Insure, Personal Finance and Wealth Management as well as simplification and digitalisation in our enabling functions. The targets included in this announcement do not constitute profit forecasts and have not been reviewed or reported on by the Group's auditors.

FINAL DIVIDEND DECLARATION

The Board of directors has approved and declared a final dividend of 35 cents per ordinary share.

The final dividend of 35 cents per share, results in a dividend cover of 1.50 times of Adjusted Headline Earnings for the 2020 year which is in line with Old Mutual Limited's dividend cover target range of 1.50 times to 2.00 times. The final dividend will be paid out of distributable reserves and is payable on 24 May 2021 to all ordinary shareholders recorded on the record date.

Shareholders on the London, Malawian, Namibian and Zimbabwean registers will be paid in the local currency equivalents of the final dividends.

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 4,708,553,649.

Declaration date	Tuesday, 23 March 2021
Finalisation announcement and exchange rates announced	Monday, 29 March 2021 by 11.00
Transfers suspended between registers	Close of business on Monday, 29 March 2021
Last day to trade cum dividend for shareholders on the South African Register and Malawi, Namibia and Zimbabwe branch registers	Tuesday, 13 April 2021
Ex-dividend date for shareholders on the South African Register and Malawi, Namibia and Zimbabwe branch registers	Wednesday, 14 April 2021
Last day to trade cum dividend for shareholders on the UK register	Wednesday, 14 April 2021
Ex-dividend date for shareholders on the UK register	Thursday, 15 April 2021
Record date (all registers)	Close of business on Friday, 16 April 2021
Transfers between registers restart	Opening of business on Monday, 19 April 2021
Final Dividend payment date	Monday, 24 May 2021

Share certificates for shareholders on the South African register may not be dematerialised or rematerialised between Wednesday, 14 April and Friday, 16 April 2021, both dates inclusive. Transfers between the registers may not take place between Tuesday, 30 March and Friday, 16 April 2021, 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 Monday, 29 March and Friday, 16 April 2021, both dates inclusive.

For South African shareholders, the dividend will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of withholding tax. The net dividend payable to shareholders subject to withholding tax at a rate of 20% amounts to 28 cents per share. 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>.

SHORT FORM ANNOUNCEMENT

This short form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement accessible from Tuesday, 23 March 2021, via the JSE link <https://senspdf.jse.co.za/documents/2021/jse/isse/OMUE/FY20Result.pdf> and also available on the Company's website at <https://www.oldmutual.com/investor-relations/reporting-centre/results>. Copies of the full announcement may also be requested by contacting Investor Relations per details below.

The short form announcement has itself not been audited, however, the financial information included herein has been extracted from the audited consolidated annual financial statements which have been audited by KPMG Inc. and Deloitte & Touche, who expressed an unmodified opinion thereon. The audit opinion includes key audit matters related to the valuation of life insurance contract liabilities and investment contract liabilities with discretionary participating features, the valuation of the net best estimate business interruption reserve, the valuation of investments and securities, the assessment of expected credit losses on loans and advances and the valuation of investment property. The Old Mutual Limited Audited Annual Financial Statements containing the audit opinion, including key audit matters, can be obtained on the Company's website via the link <https://www.oldmutual.com/investor-relations/reporting-centre/reports>.

A webcast of the presentation of the 2020 Final Results and Q&A will be broadcast live on 23 March 2021 at 11.00 am South African time on the Company's website www.oldmutual.com. Analysts and investors who wish to participate in the webcast can pre-register using the following link: <https://78449.themediaframe.com/dataconf/productusers/oldmutual/mediaframe/43670/index1.html>

Analysts and investors who wish to participate in the call may do so using the following link or telephone numbers below: <https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=8903603&linkSecurityString=da8clae27>

South Africa +27 10 500 4108
UK +44 203 608 8021
Australia +61 73 911 1378

USA +1 412 317 0088
International +27 10 500 4108
Replay Access Code 38691

The replay will be available for five business days.

Sponsors

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Notes to Editors

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 14 countries. Old Mutual's primary operations are in South Africa and the rest of Africa, and we have a niche business in China. With over 175 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, and its underlying businesses, please visit the corporate website at www.oldmutual.com.