

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 30/20

1 September 2020

Interim results for the six months ended 30 June 2020

A MESSAGE FROM OUR CEO

The COVID-19 pandemic has had an unprecedented impact on our business, our lives and on how we work and interact. Although the resultant lockdown adversely affected us, particularly the productivity of our physical distribution channels, we were agile and adapted to this new normal. We leveraged our digital capability and through the use of digital sales platforms and the provision of data and network access, we enabled most of our employees and certain of our advisers to work remotely. There is still a considerable amount of uncertainty around what we can expect within the next 12 months. However, we believe we have taken sufficient actions to provide for the impact of the pandemic in the short term. We will continue to closely monitor the situation and make further provisions if necessary. We believe that the actions we have taken to maintain our capacity will allow us to take advantage of opportunities in this environment and be in a position to accelerate activity as restrictions are lifted.

Although the pandemic adversely affected earnings in the first half of the year, our business remains robust, with sufficient levels of liquidity and strong solvency positions in our regulated subsidiaries. We have performed stress tests to assess our liquidity and solvency positions under various recovery scenarios. In all scenarios, our liquidity levels remain positive and our solvency ratio remains within our target range. Due to the significant level of uncertainty in the current environment we have deferred our decision to declare an interim dividend. We believe this action is necessary in a period of heightened uncertainty and we will revisit this decision for the full year dividend declaration when we have more clarity on the shape of possible economic recovery scenarios.

New business sales volumes were negatively impacted, as most of our tied advisers in the Mass and Foundation Cluster were unable to sell during the lockdown period due to the partial closure of the branch network and lack of access to customers' homes, worksites and branches. In Personal Finance, the impact was less severe as we could enable remote working for a larger proportion of advisers. Although lockdown restrictions have been eased, and economic activity has somewhat resumed, sales levels remain below prior year levels. The continued financial pressure on our customers led to a decline in sales activity and poor persistency experience, which adversely affected distribution efficiencies. Customers also opted for lower margin risk and investment products resulting in a significant decline in VNB compared to the prior year. The decline in closing and average equity markets led to pressure on our asset based fees and resulted in unrealised mark to market losses in our equity portfolios. Initially lagging the equity markets, credit spreads widened in the second quarter as the crisis contributed to a weakening economic outlook. Credit spreads increased by between 50bps and 100bps, higher than increases seen in the previous financial crisis, resulting in significant mark to market losses in our unlisted credit portfolio. There was an increase in business interruption and rescue claims in Old Mutual Insure during the second quarter.

We have presented certain of these COVID-19 impacts separately within our presentation of Results from Operations, in order to reflect the underlying results of our segments on a more comparable basis to the prior year. Only items that are separately identifiable and reliably measurable have been presented in this line item. Accordingly, Normalised Results from Operations, excluding COVID-19 impacts, was down 4% from the prior year largely driven by a significant decrease in Mass and Foundation Cluster's profits due to lower sales volumes, poor persistency, and higher credit losses experienced in Old Mutual Finance due to the strengthening of our provisioning. This was mostly offset by a decrease in catastrophe losses in Old Mutual Insure and growth in profits of Personal Finance and Wealth Management due to improved mortality and a release of reserves following a change in the investment strategy for the closed annuity fund. Rest of Africa profits were up 27% mostly due to lower losses in West Africa and foreign exchange gains as the rand depreciated most notably against the Kenyan shilling and Malawian kwacha.

Despite the changes the pandemic has brought to the business, our focus remains unchanged. We continue to put customers first and simplify our business through digital transformation. With the scaling of Old Mutual Protect, we have implemented digitalised customer and intermediary service models with a large degree of straight-through processing. Continued use of robotics and artificial intelligence to service customers and process transactions have saved 8 million processing minutes to date. These initiatives do not only provide a better experience for customers and intermediaries, but also simplify various business processes which lead to cost efficiencies. We continue to drive our cloud strategy via Amazon WebServices, with the first 85 workloads now live on the cloud. This has resulted in no unplanned downtime experience for customers and has allowed us to rapidly deploy solutions across the business.

Iain Williamson
Chief Executive Officer

GROUP HIGHLIGHTS (EXCLUDING ZIMBABWE)

	H1 2020	H1 2019	% change (H1 2020 vs H1 2019)
(Rm unless otherwise stated)			
Adjusted Headline Earnings (AHE)	1,704	5,211	(67%)
Adjusted Headline Earnings per share (cents)	37.3	109.1	(66%)
Results from Operations (RFO)	1,541	4,512	(66%)
Normalised Results from Operations	4,334	4,512	(4%)
Interim Dividend per share (cents)	-	45	(100%)
Return on Net Asset Value (RoNAV) (%)	5.2%	16.4%	(1 120 bps)
FUM (Rbn) (1)	1,057.2	1,048.5	1%
Life APE sales	4,716	5,814	(19%)
Gross flows	90,835	79,801	14%
NCCF (Rbn)	1.5	1.4	7%
Free Surplus Generated from Operations	808	3,739	(78%)
% of AHE converted to Free Surplus Generated	47%	72%	(2 500 bps)
Group Solvency ratio(%) (1,2)	182%	189%	(700 bps)

(1) These comparative amounts and % change reference FY 2019

(2) The FY 2019 Group solvency position has been re-presented in line with the final group designation by the Prudential Authority

Changes in the macro environment including negative GDP growth forecasts and interest rate cuts, have resulted in increased uncertainty around future cash flow projections for certain assets. This has resulted in the recognition of impairments in respect of the carrying value of our investment in Nedbank and the goodwill related to our investment in Old Mutual Finance. In calculating the valuation for our investment in Nedbank we performed a range of valuations assuming several different earnings and economic recovery scenarios and, although in certain scenarios a higher value could be supported, greater weight was given to the downside scenarios given the increased uncertainty around forward looking information in the current environment. 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)

	H1 2020	H1 2019	% change (H1 2020 vs H1 2019)
Profit after tax attributable to equity holders of the parent	(5,621)	5,817	(>100%)
Headline Earnings (HE)	4,215	5,854	(28%)
Basic earnings per share (cents)	(128.5)	127.3	(>100%)
Headline Earnings per share (HEPS)	96.3	128.1	(25%)

OUTLOOK

The increased levels of forecast risk and observed variability in possible recovery scenarios has made it increasingly difficult to provide guidance around the achievement of previously disclosed medium term targets. In light of this, we are withdrawing our guidance in respect of these targets and replacing them with targets more appropriate for measuring our progress as we transition the business through the crisis. These targets focus on the maintenance of appropriate levels of solvency and liquidity and improving the efficiency of our business given the pressure on revenues COVID-19 introduces. To demonstrate improved efficiency we will deliver R750 million of pre-tax run rate savings on a like for like basis by the end of 2022. During the second half of 2020 we will focus on improving adviser productivity to normalised levels as rapidly as possible, improving customer access through increased digitalisation and finding opportunities for further cost efficiencies. Further guidance on expected outcomes for the full year 2020 will follow once we have greater certainty on the expected impacts of COVID-19 in the second half of the year.

TRADING STATEMENT

In terms of paragraph 3.4(b) of the Listings Requirements of the JSE Limited, shareholders are advised that we expect HEPS and EPS for the year ended 31 December 2020 to be more than 20% lower than the reported HEPS and EPS for the comparable period (FY 2019 HEPS: 236.1 cents, FY 2019 EPS: 208.3 cents) due to the significant impact COVID-19 has had on our results. We will publish a further update once there is more certainty on the probable ranges of the expected decrease in HEPS and EPS.

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, 1 September 2020, via the JSE link <https://senspdf.jse.co.za/documents/2020/JSE/ISSE/OMUE/HY20Result.pdf> and also available on the Company's website at www.oldmutual.com. The short form announcement has not been reviewed or reported on by the external auditors.

A webcast of the presentation of the 2020 Interim Results and Q&A will be broadcast live on 1 September 2020 at 11.00 am South African time on the Company's website www.oldmutual.com. Analysts and investors who wish to participate in the call may do so using the following link or telephone numbers below:

<https://www.diamondpass.net/4423517>

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 36487

Pre-registration to participate in the call is available at the following link:
<https://78449.themediaframe.com/dataconf/productusers/oldmutual/mediaframe/40166/index1.html>

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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.