

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

Ref 2/21

8 March 2021

TRADING STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

Shareholders are advised that Old Mutual Limited is currently in the process of finalising its annual results for the twelve months ended 31 December 2020 ("current period"). This trading statement provides an indication of a range for Headline Earnings per ordinary share (HEPS) and earnings attributable to equity holders of the Group per ordinary share (EPS) in terms of paragraph 3.4(b) of the JSE Limited Listings Requirements compared to the year ended 31 December 2019 ("comparative period"). The Group's annual results will be released on the Stock Exchange News Service of the JSE Limited on Tuesday, 23 March 2021.

Although stimulus measures and vaccine breakthroughs led to a recovery in local and global equity markets in the second half of the year, the impact of the recessionary environment on our customers' disposable income and the significant impact of COVID-19 on claims and reserving has adversely affected our earnings. We exercised tight cost control across the business to part mitigate negative earnings impacts. Despite the impact to earnings, strong gross flows throughout the year drove a significant increase in NCCF demonstrating the resilience of our business. We have observed a good recovery in sales and productivity levels during the second half of 2020, after a significant decline in volumes in the second quarter when the national lockdown was most restrictive. The gradual reopening of worksites and branches and the digital enablement of advisers to sell remotely supported the recovery of productivity levels, with the fourth quarter trending towards historic levels. The majority of premium relief initiatives offered to our customers ended in the fourth quarter and reinstatement rates are encouraging, with a continued strong focus across the business on retention and customer loyalty activities.

Our Group remains well capitalised despite some material one off negative items impacting our 2020 earnings, which are referred to in this announcement. Throughout the year, we performed rigorous stress tests to assess our liquidity and solvency position under various recovery scenarios. Our liquidity levels remain positive and our solvency ratio remains within our target range in all scenarios.

In H1 2020 we raised a short term provision of R1,339 million for the anticipated impacts of worsening mortality, morbidity and persistency related to COVID-19. At the time we had noted a trend of increasing mortality and morbidity claims in the second quarter and into the initial weeks of the third quarter. There was limited observed data and significant uncertainty

around the length and severity of this experience. The provision was intended to provide for expected experience in the second half of 2020.

In South Africa, actual claims in the second half of the year were higher than the provision raised in H1 2020, with an acceleration in infection and excess mortality rates at the end of the fourth quarter. This acceleration was consistent with early patterns of second waves noted in other countries. Since the start of 2021 we have continued to monitor the excess mortality and infection data released weekly by the South African Medical Research Council, our own claims experience and other observable sources. This data confirms that Wave 2 experience is significantly worse than Wave 1.

There are also emerging expectations of a third wave given evidence of virus mutation, the slow pace of the vaccination rollout and upcoming public holidays and the winter season. In light of this, we have increased our short term provision by R3,962 million. The impact of this has been in part mitigated by the release of discretionary reserves of R1,112 million related to mortality experience in the Mass and Foundation Cluster. We continue to closely monitor claims experience in 2021 and have recorded approximately R1.9 billion of COVID-19 related mortality claims for January and February of 2021. Taking into account the release of the H1 provision, there is approximately R2 billion of the pandemic reserve remaining for mortality risk related to COVID-19 that may arise.

We previously communicated to shareholders on the 25 January 2021, that we anticipated an increase of between R85 million to R140 million in the net business interruption and business rescue reserves reported for the year ended December 2020 compared to the R464 million reported in June 2020. Subsequent to the previous communication we have refined our estimated reserve as additional data has become available which allowed us to refine key assumptions. This has resulted in an increase in net business interruption reserves of approximately R300 million, versus that reported for the half year.

Although credit spreads narrowed in the second half of 2020, the onset of the second wave of the pandemic in the fourth quarter in South Africa added pressure to business operations of certain counterparties resulting in further negative mark to market losses at the end of the year. These were however broadly in line with those reported in H1 2020. The uncertainty around the pace of economic recovery and the low interest rate environment continued to depress earnings forecasts for some of our unlisted equity portfolios and has resulted in downward revaluations of certain assets.

Taking into account the operating environment and factors outlined above shareholders are advised that the Group's key profit measures are expected to fall within the ranges outlined below:

Key Performance Indicators (R million unless stated otherwise)	Estimated % change	Estimated 31 December 2020	30 December 2019
Results from Operations	(79%) to (89%)	1,884 - 987	8,972
Adjusted Headline Earnings	(70%) to (80%)	2,957 - 1,971	9,856
AHEPS (cents) ¹	(69%) to (79%)	64.9 - 44.0	209.3

¹AHEPS defined as Adjusted Headline Earnings divided by WANS adjusted to reflect the Group's BBE shares and shares held in policyholder and consolidated investment funds.

Shareholders are reminded that the impairments in respect of the carrying value of our investment in Nedbank and the goodwill related to our investment in Old Mutual Finance were recognised in the IFRS income statement in the first half of the year, with no further downward revaluations expected in the second half of the year. They are however, not recognised in Headline Earnings, and accordingly not recognised in Adjusted Headline Earnings (AHE), as this is an explicit adjusting item in accordance with the JSE Circular.

Headline earnings is higher than AHE, as AHE excludes the results related to the operations of Residual plc and Zimbabwe and the adjustment in respect of investment return for group equity and debt instruments held in life funds, all of which were positive in FY 2020. Taking into account the decrease in operating earnings and the significant impairments outlined above shareholders are advised that HEPS and Basic EPS are expected to fall within the ranges outlined below:

Key Performance Indicators (R million unless stated otherwise)	Estimated % change	Estimated profit/(loss) 31 December 2020	30 December 2019
Headline Earnings	(42%) to (62%)	6,172 – 4,044	10,641
HEPS (cents)	(40%) to (60%)	141.7 – 94.4	236.1
IFRS profit after tax attributable to equity holders of the parent	(146%) to (166%)	(6,195) - (4,318)	9,386
Basic EPS (cents)	(147%) to (167%)	(139.5) - (97.9)	208.3

The financial information in this trading statement is the responsibility of the Old Mutual Limited Board of Directors and has not been reviewed or reported on by the Group's external auditors.

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Sponsors

JSE	Merrill Lynch South Africa (Pty) Limited
Namibia	PSG Wealth Management (Namibia) (Proprietary) Limited
Zimbabwe	Imara Capital Zimbabwe plc
Malawi	Stockbrokers Malawi Limited

Enquiries

Investor Relations

Sizwe Ndlovu
Head of Investor Relations

T: +27 (0)11 217 1163
E: tndlovu6@oldmutual.com

Tokelo Mulaudzi
Investor Relations Manager

T: +27 (0)11 217 1042
tmulaudzi3@oldmutual.com

Communications

Tabby Tsengiwe

T: +27 (11) 217 1953

General Manager of Public
Affairs and Communications

M: +27 (0)60 547 4947
E: ttsengiwe@oldmutual.com

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 markets segments in 14 countries. Old Mutual's primary operations are in South Africa and the rest of Africa, and it has a niche business in Asia. 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**](http://www.oldmutual.com).