2021 First Half Results

Wednesday, 24 February 2021

Business update

Renato Mota, CEO

Scale, strength and economic diversity

Financial overview

Underlying NPAT from continuing operations (UNPAT)	$65.9m	Up 17%	• Solid underlying profit growth through P&I earnings contribution offsetting COVID impact on markets • Significant transformative activity undertaken
Gross margin	$349.3m	Up 41%	• $125.3m contribution from full 6 months of ex-ANZ P&I (P&I) ownership • COVID-19 volatility and legislative change continued to impact gross margin
FUMA	**Closing FUMA** $202.4b Up 39%	**Average FUMA** $204.3b Up 43%	• Benefits from completion of P&I in February 2020 – $70.4 billion of FUMA at 31 December 2020 • $15.3b market improvement in 1H21 • Total Early Access to Superannuation withdrawals of $699m in 1H21, bringing total withdrawals under ERS to $1.4 billion
Net flows	**Net flows** ($4.1 billion)	**Outflows due to strategic initiatives**	• Proprietary technology delivering inflows into flagship advised offerings, $785m net inflows • Net outflows of $4.1b largely due to one-off strategic IOOF initiatives; Advice 2.0, Investment Management simplification
Dividends	**Fully franked interim dividend** 8.0 cps **Total dividends**	**Fully franked special dividend** 3.5 cps 11.5 cps	• Sustainable 79% ordinary dividend payout ratio is within target 60–90% dividend payout range • Special dividend of 3.5 cps reflects commitment to returns to shareholders • Total dividend payout for the half demonstrates current balance sheet strength and future confidence

Note: All comparisons to prior comparative period unless otherwise stated

Delivering on simplification to create efficiencies and growth opportunities

Business overview

Strategic initiatives	On track with all synergy targets and key milestones
FOCUS Advice 2.0	• Advice 2.0 – to deliver greater accessibility, affordability and sustainability commenced 1 September 2020 • First tranche of annualised savings expected to be $10m in FY21 • Integration of the ex-ANZ Aligned Licences commenced under Advice 2.0 – commitment to breakeven self-employed advice by FY23 reaffirmed • Wealth Central now utilised by 358 advisers – key digital enablement tool underpinning Advice 2.0
SIMPLIFY Evolve	• Proprietary Evolve platforms now administering over $14b in FuAdmin • IOOFs Managed Accounts solution, MPS surpasses $1b in FUAdmin • Evolve21 platform consolidation on track to complete by 31 December 2021 • Simplified the Cash Management Trust administration to outsource – superior returns to clients • BT Master Relationship Agreement (MRA) ceased December 2020 – $80m received in January 2021 • Launch of new arrangement with HUB24 to act as a platform administration and custody provider
GROW P&I Integration and MLC preparation	• $5.9m of actual synergies achieved in six months – largely in Q221, $20m annualised. Cumulative $38m annualised synergies realised • On track to deliver cumulative $43m per annum in annualised synergies by end June 2021 • MLC acquisition preparation well underway – expected to complete by 30 June 2021 subject to APRA approval • P&I platform review underway, with first changes in market 2H21

Note: All comparisons to prior comparative period unless otherwise stated

Clarity of purpose provides agility

Purpose | understand me, look after me, secure my future

Continuing industry trends

- **Increasing per Capita wealth**
- **Aging population with complex needs**
- **Structural industry disruption**

Strategy | Delivering advice-led wealth management

Phase	Stabilise	Transform	Prosper
Capabilities	› Purpose driven culture › Uplift governance capabilities › Resetting capabilities and strategy	**IOOF | P&I | MLC** › Advice 2.0 – **FOCUS** › Evolve21 – **SIMPLIFY** › Transformation through integration – **GROW**	› Scalable, efficient model › Best in class organisational capabilities › Advice advocacy and trusted reputation
Governance	**Culture and Conduct – New executive team in place**		

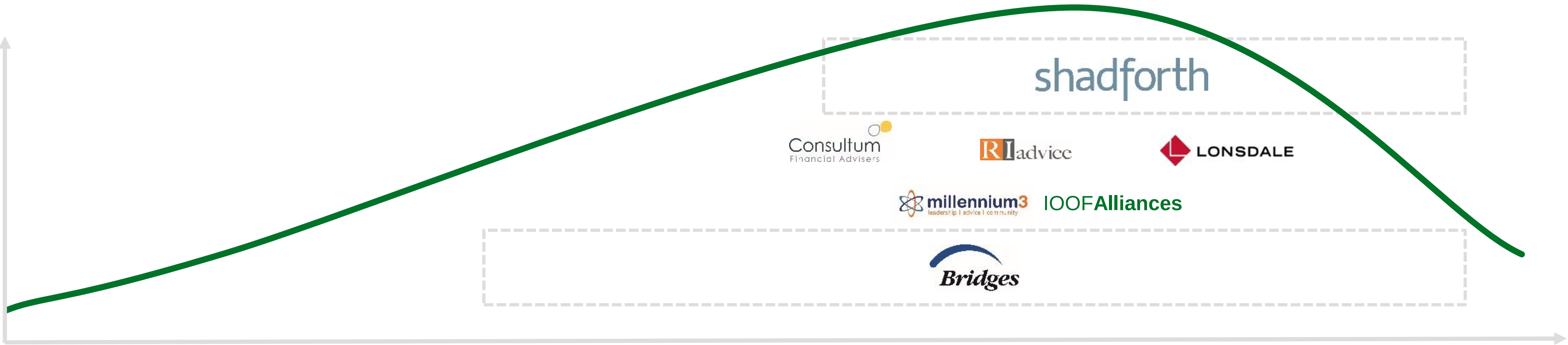
Transformational focus

Advice 2.0	EVOLVE 21	Transformation through integration
Deliver more accessible and cost effective financial advice Make the financial advice segment economically viable on a standalone basis	Single leading proprietary platform offer across client cohorts Service and experience excellence	Deliver lowest cost to serve Develop a trusted reputation through outcomes and service excellence
FOCUS	**SIMPLIFY**	**GROW**

End-to-end client opportunities

FOCUS

Net wealth



Life stage

Entering the workforce → Cashflow management → Mortgage → Insurance needs → Retirement planning → Intergenerational transfer

Advice type

Financial coaching and wellbeing

Financial Advice

- Employed advisers
- Self-employed advisers
- Self-licensed advisers

Strategy

Understand, Digitise, Innovate

Engagement, Efficiency, Sustainability

Advice 2.0

Developing end-to-end client opportunities

FOCUS

From 1 September 2020

Professional Services		# of advisers	1H21 gross margin
HNW: shadforth Goals based advice: Bridges	› Bridges network to be transitioned into a fully salaried network › Target EBIT 30%+ in professional services › Strong referral model	292 (including Bridges advisers transitioning)	$54.0m

Self-employed advice		# of advisers	1H21 gross margin
Specialised model: Lonsdale, millennium3 Holistic advice: RI advice, Consultum Financial Advisers	› Reduction in the number of business structures from 5 to 2 – significant savings expected in 2H21 › Single client service model, professional standards, scorecard and audit processes › Expected reduction in adviser numbers is ~140 as Advice 2.0 continues	893	$14.4m

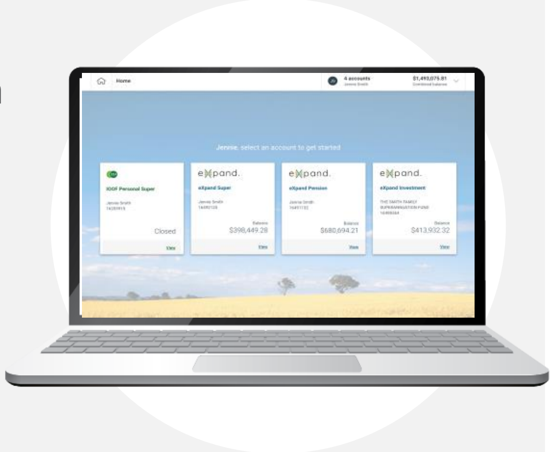
Self-licensed advice		# of practices	1H21 gross margin
Self-licensed advice: IOOF Alliances	› Servicing Independent Financial Advisers without licence risk – significant opportunity to grow › New fee structures rolled out gradually to existing Alliances advisers during 1H21	83 (361 advisers)	$1.3m

The Evolve21 journey: on track and delivering

SIMPLIFY

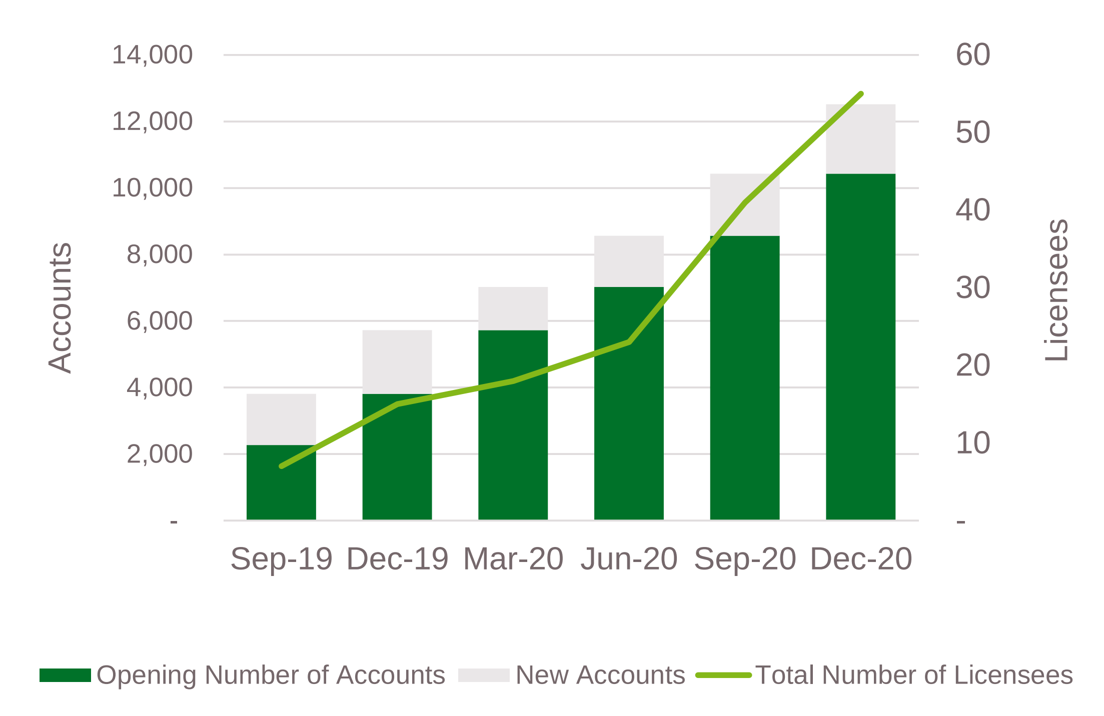
On track for finalisation by 31 December 2021

- Significant growth in Evolve usage:
  - total number of accounts doubled to 12,512
  - total number of licensees tripled to 55
- Product consolidation of Evolve21 Phase 1 and Phase 2 scheduled to complete by July and December 2021
- 11,241 clients and $1.13bn transitioned to Evolve in early 2021 - 6 legacy products terminated



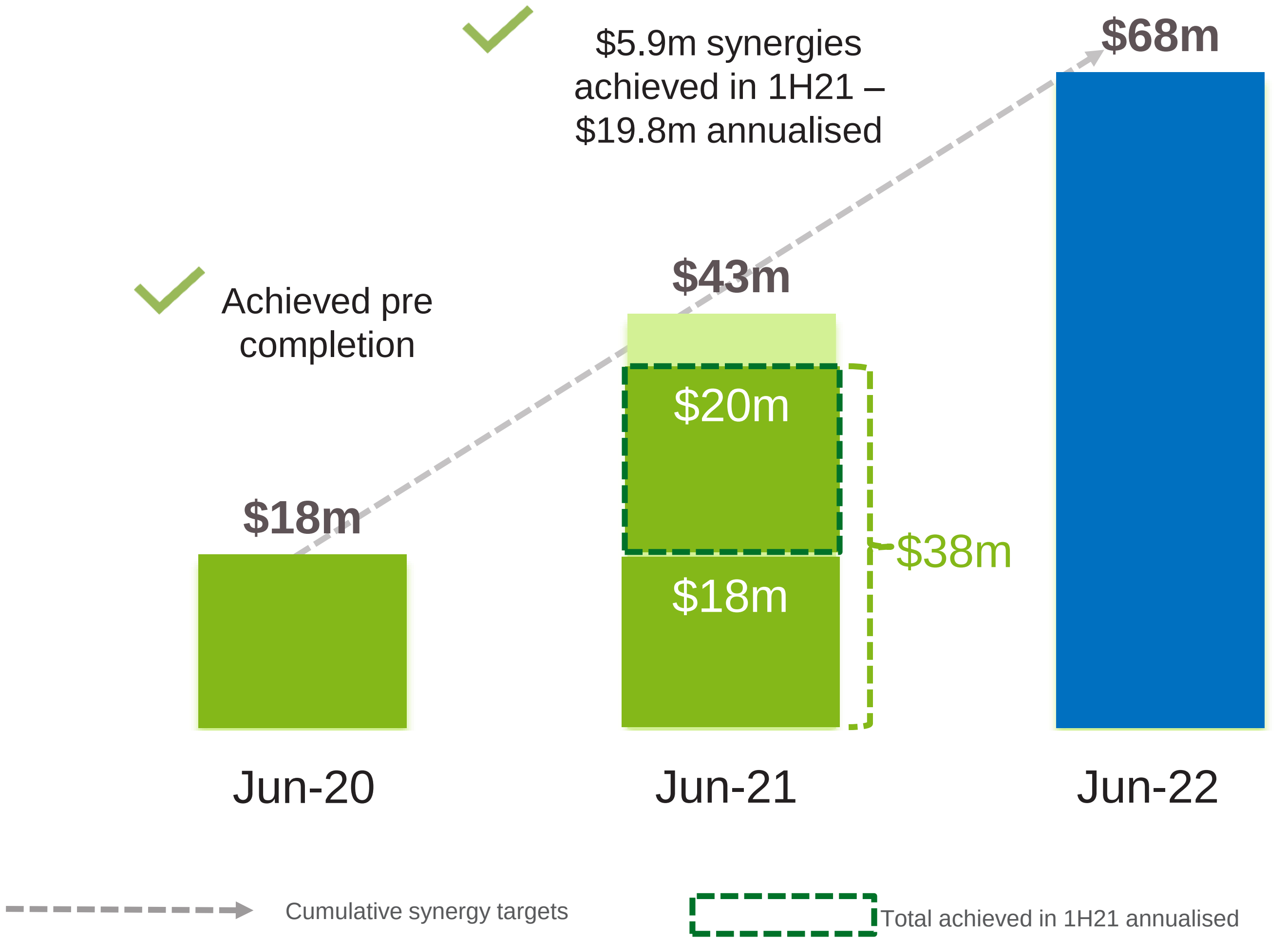
Evolve usage growth

IOOF Essential, eXpand and SPS



Integration expertise: extracting P&I synergies

GROW



~50%

of overall synergy target for P&I implemented within 12 months of Completion

~85%

of people to be transferred to IOOF by 31 March 2021

Key milestones achieved towards completion of MLC

GROW

Milestone	Completed
Acquisition announced	31 August 2020
Submission lodged with ACCC	17 September 2020
Equity placement and entitlement issue	21 September 2020
Transaction Implementation Committee established	30 September 2020
Lenders' consent for acquisition received	8 October 2020
Joint Transaction Implementation Plan prepared and agreed	4 November 2020
ACCC outcome – not opposed	14 December 2020
NULIS has confirmed the transaction is in its members' best interests*	19 February 2021
APRA S29 approval	TBC
Completion	Expected between April to June 2021

* NULIS will also continue to provide oversight of risk to safely complete the transaction to protect member interests.

Financial Results

David Chalmers, CFO

1H21 Financial Summary

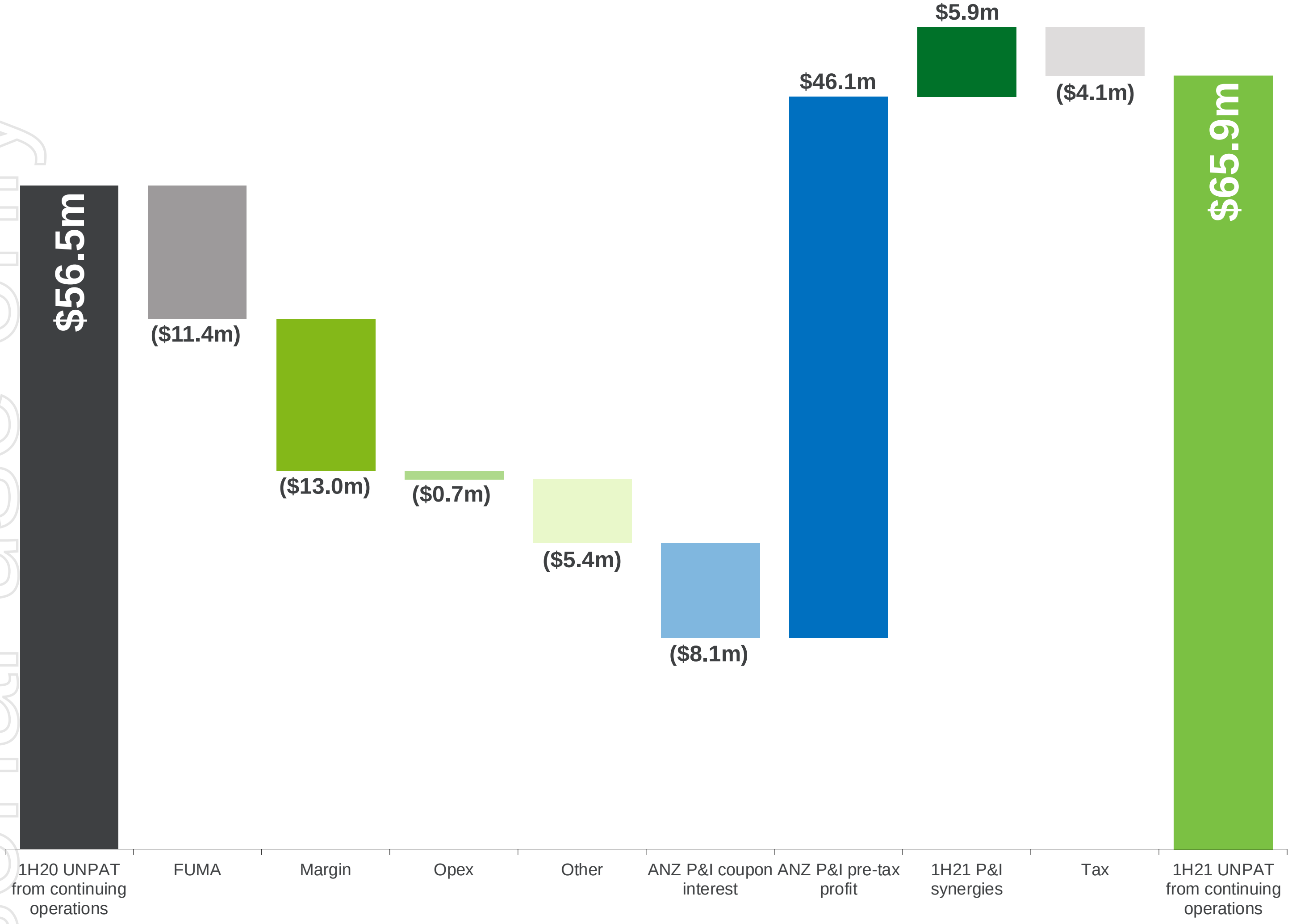
$m	1H21	2H20	1H20	1H21 v 1H20
Revenue	**350.7**	334.2	254.2	38%
Expenses	**239.8**	220.7	163.7	(46%)
EBITDA	**110.9**	113.5	90.5	23%
UNPAT	**65.9**	67.6	56.5	17%
NPAT	**54.4**	31.0	27.8	96%
Dividends (cps)[1]	**11.5**	11.5	23.0	(50%)
Gross Margin (%)	**0.34%**	0.34%	0.35%	(2%)
Cost to Income Ratio	**68.2%**	65.5%	62.4%	(9%)
FUMA (Close) ($b)	**202.4**	202.3	145.7	39%
FUMA Excl-P&I (Avg) ($b)	**136.0**	138.5	142.8	(5%)
UNPAT EPS (cps)[2]	**12.4**	19.3	16.1	(23%)

Key Commentary

- 1H21 financial performance benefitting from addition of P&I.
- Net flows during the half impacted by one-off outflows from BT ($8.1b), Advice 2.0 changes ($1.3b) and the IOOF Cash Management Fund ($1.9b). These were offset by positive market performance in 1H21 post COVID-19 market recovery.
- Cumulative COVID-19 Early Release of Super (ERS) program related outflows of $1.4b over the three quarters ended 31 December 2020 (program closure).
- In year synergies of $5.9 million achieved across the business segments from integration activities undertaken.
- Disciplined expense management continues with increases in non-P&I cost base constricted to CPI.
- Gross margin impacted by legislative change including removal of grandfathered arrangements (($3m) impact in 1H21) and Protecting Your Super (PYS) impact since 1H20 ($2m).
- Total dividend payout of 11.5cps[1] consistent with previous dividend paid in September 2020.

Notes: All presented on a continuing operations basis unless otherwise stated. (1) 1H21 dividends comprise 8cps ordinary dividend and 3.5cps special dividend. 1H20 dividends comprised of 16cps ordinary dividend and 7cps special dividend. (2) UNPAT EPS calculated using average number of shares for the half (1H21: 531,049,707), total shares on issue at 31 December 2020 were 649,324,356.

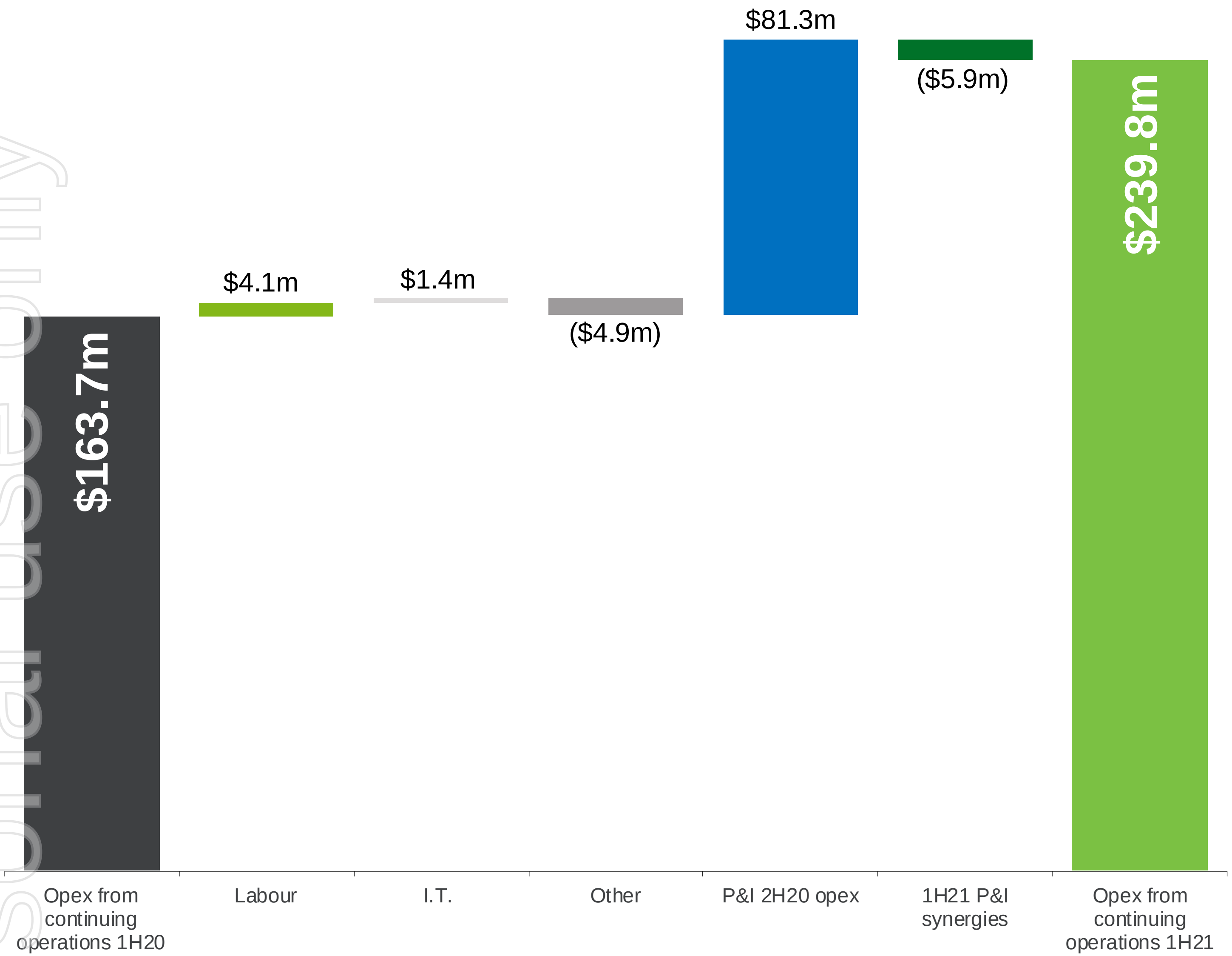
Group UNPAT analysis



- Lower opening FUMA at June 2020 resulted in lower average FUMA balances despite improved equity markets performance in the latter part of the year.
- Margin impacted by reduced income from third party platform arrangements ($7m) and the impact of legislative change including the removal of grandfathered conflicted remuneration ($3m) and PYS ($2m impact compared to 1H20).
- Continued cost control exercised in underlying business.
- Other includes impact of:
  - Reduction in adviser conferences ($2m)
  - Reduced dividend income post-AEF divestment ($1m)
- Pro forma P&I 2H20 pre-tax profit of $46.1m[2]
- $5.9m in-half impact from synergies achieved across multiple business segments. $19.8m annualised synergies achieved in FY21 to date. Net reduction of 48 FTE[1] during the half.

Notes: (1) Excluding TSA FTE transitioned from ANZ to IOOF (2) Based on unaudited pro forma information shown on page 22 of the FY20 Results presentation

Expense Base Analysis



- Labour uplift largely relates to investment in additional ongoing governance capability in the prior year, such as the Office of the Responsible Entity ($1.0m)
- Continued prudent investment in internal IT capability.
- Reduction in other costs attributable to reduction in travel costs and continued strong cost control.
- Pro forma P&I 2H20 cost base of $81.3m[1]
- $5.9m impact from synergies derived during 1H21 largely attributable to reductions in labour and consultancy costs. $19.8m in year to date annualised synergies achieved will accelerate in-half impact in 2H21.

Notes: (1) Based on unaudited pro forma information shown on page 22 of the FY20 Results presentation

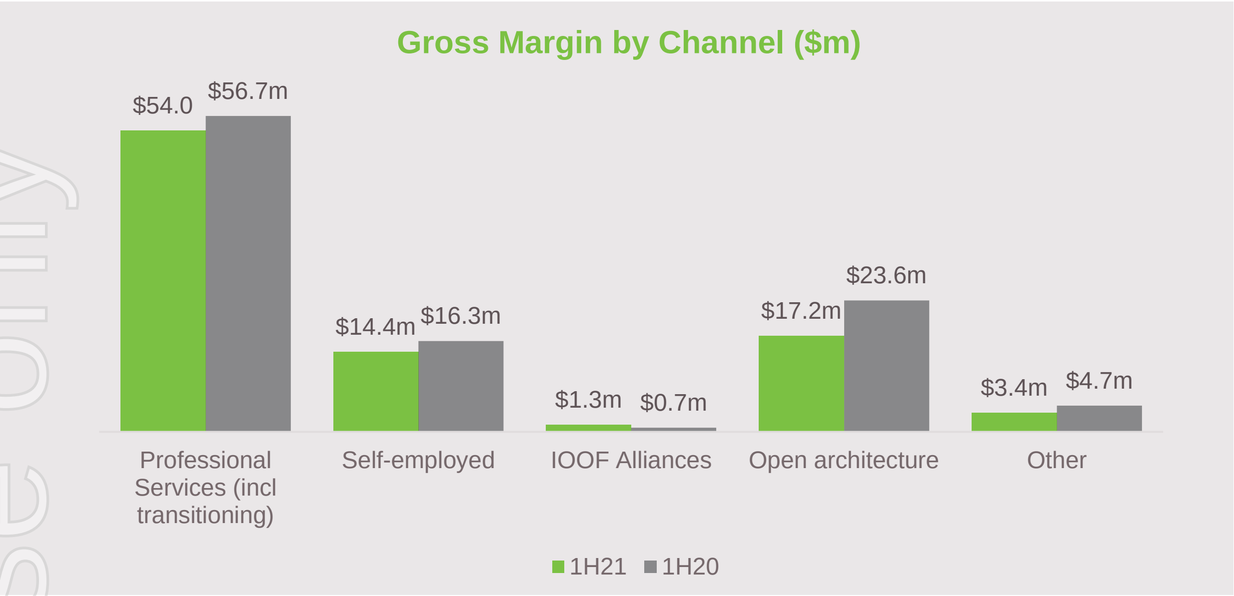
Business Overview - Financial Advice incl ex-ANZ ALs

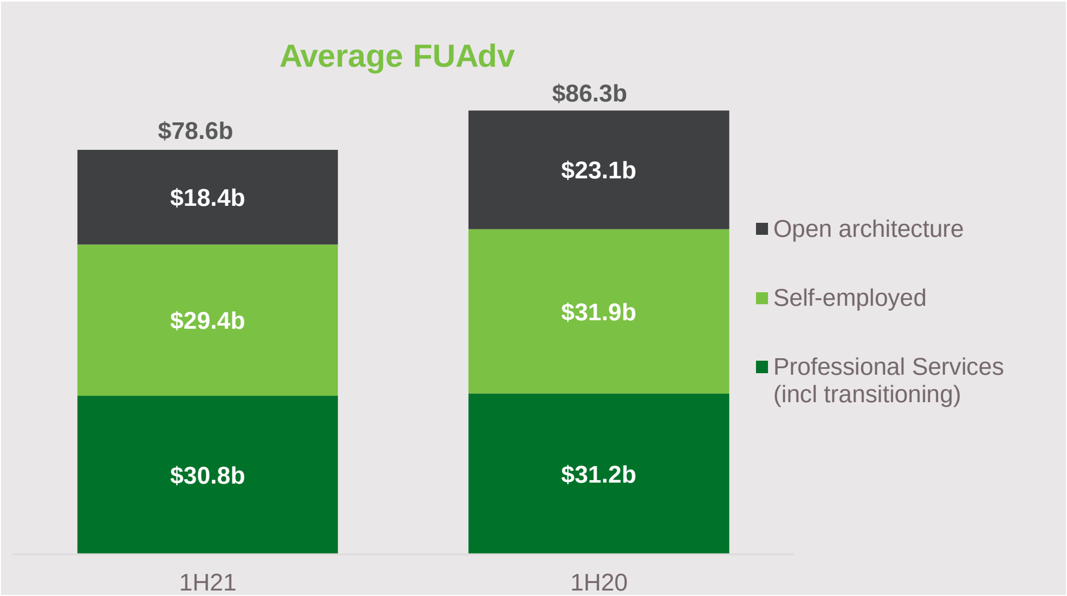
$m	1H21	2H20	1H20	1H21 v 1H20
Revenue	**277.2**	292.2	299.4	(7%)
Direct Costs	**(186.9)**	(195.8)	(197.6)	5%
Gross Margin (GM)	**90.3**	96.4	101.9	(11%)
GM %	**0.25%**	0.27%	0.27%	(5%)
Operating Expenditure	**(74.3)**	(75.4)	(78.6)	6%
EBITDA	**17.1**	24.4	28.0	(39%)
Average FUAdv ($b)	**70.4**	73.1	75.3	(6%)
NOM %	**0.05%**	0.07%	0.07%	(32%)

- Gross margin impacted by $7m reduction in revenue received from third party platform arrangements as a result of repricing, cessation of the BT arrangement and Shadforth advisers increasing weighting to Shadforth Portfolio Service – captured in portfolio & estate admin segment.
- Removal of grandfathered arrangements impacted gross margin by $3m, largely in the ex-ANZ ALs.
- Shadforth revenue from adviser service fees reduced by $3m compared to 1H20, driven by lower markets.
- $4m expenditure reduction due to cancellation of physical adviser conferences in current travel-restricted environment.
- $10m annualised savings expected from Advice 2.0 initiatives by end 2H21.
- Underlying losses after tax from the ex-ANZ ALs for 1H21 is ($9.9m)
- $0.9m BOLR spend since announcement of Advice 2.0. Estimated spend on acquiring BOLRs – FY21: $15m-$20m, FY22: $8m-$12m

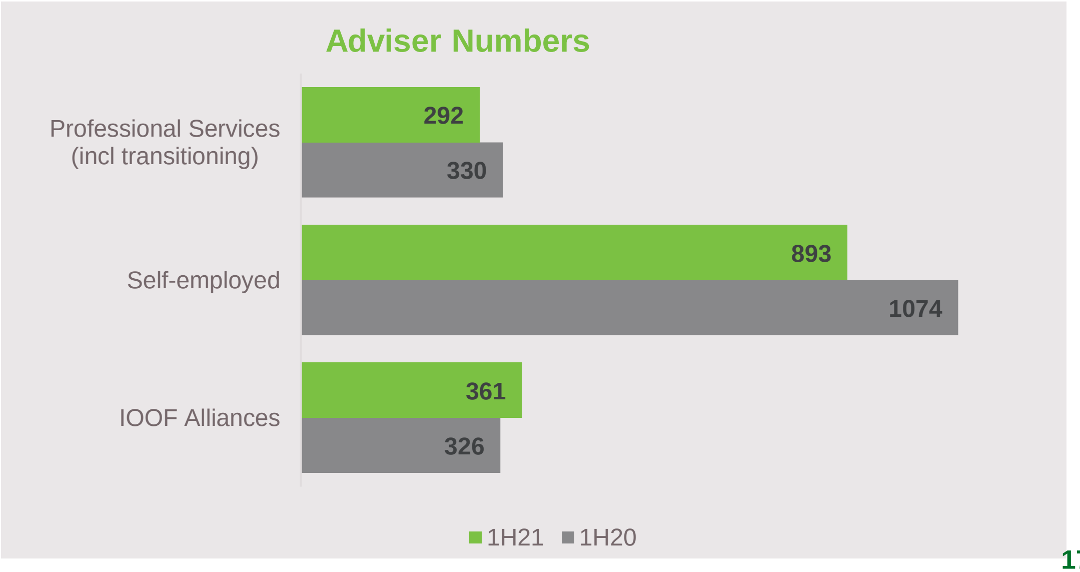
Notes: (1) Segment results for the separate Financial Advice and Ex-ANZ Wealth Management operating segments are included in an Appendix to the pack. (2) Segment results are presented on a continuing operations basis (Excl Ord Minnett and IOOF NZ).

Business Overview - Financial Advice incl ex-ANZ ALs





- Ongoing trend towards fixed fee advice arrangements makes bps margins no longer a key metric of performance.
- Attractive economics of Professional Services channel to be enhanced through transition of Bridges advisers under Advice 2.0 strategy.
- Reductions in FUAdv and adviser numbers largely concentrated within self-employed channel, which constrains impact to bottom line.
- Other includes third party platform arrangements that have been presented in the Financial Advice segment for the benefit of consistency with historical treatment. This presentation will be discontinued after FY21 in order to better reflect the segregation in management of this channel from Advice.



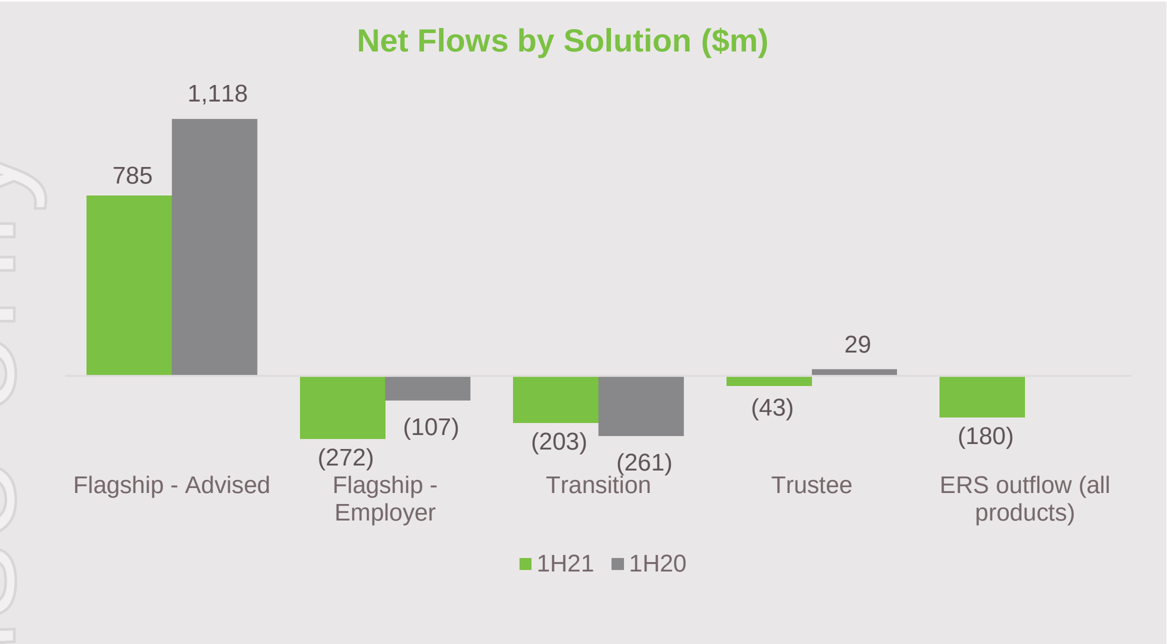
Business Overview - Portfolio and Estate Administration

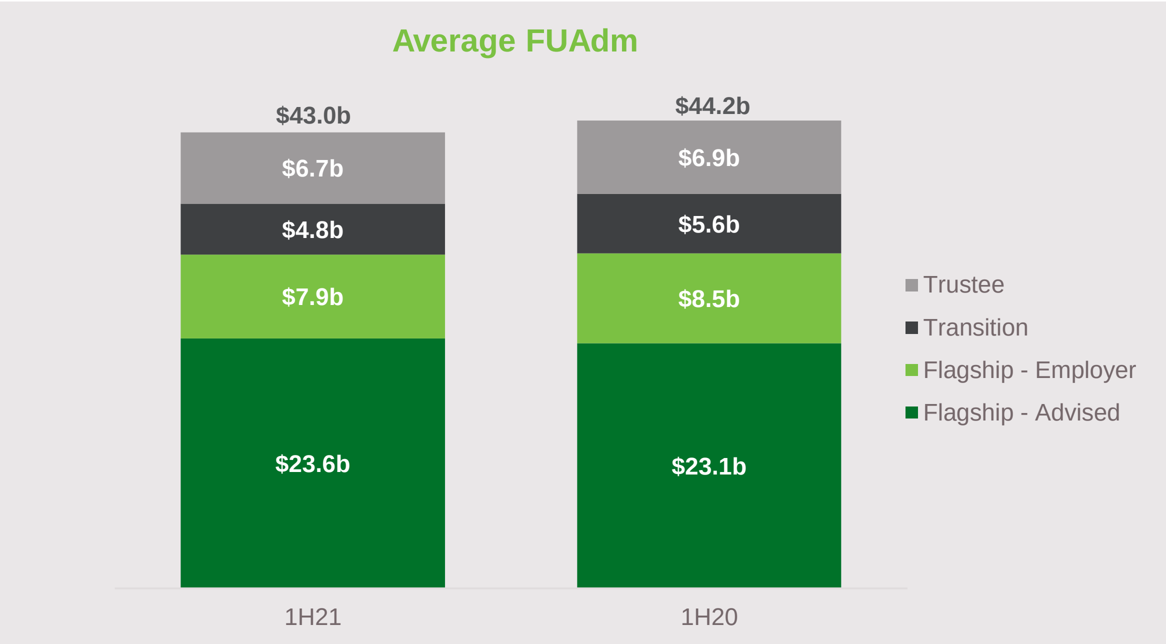
$m	1H21	2H20	1H20	1H21 v 1H20
Revenue	**191.1**	191.9	206.7	(8%)
Direct Costs	**(89.0)**	(92.0)	(95.2)	7%
Gross Margin (GM)	**102.1**	100.0	111.5	(8%)
GM %	**0.47%**	0.47%	0.50%	(6%)
Operating Expenditure	**(60.9)**	(56.1)	(58.9)	(3%)
EBITDA	**41.2**	43.9	52.6	(22%)
Average FUAdm ($b)	**43.0**	42.7	44.2	(3%)
NOM %	**0.19%**	0.21%	0.24%	(20%)

- Lower average FUAdm balance resulted in a $3m decrement to gross margin. This was driven by lower starting FUAdmin balances for the half and also includes the impact of a cumulative $349m[1] in ERS outflows over the 3 quarters to 31 December 2020.
- A further $2m reduction in gross margin resulted from the impact of Protecting Your Super legislation in the prior year (no further revenue impact expected).
- Remaining gross margin movement can be attributed to pricing and portfolio mix impacts.
- Increased expenditure primarily from increased ClientFirst allocation to the segment due to ERS scheme requirements.

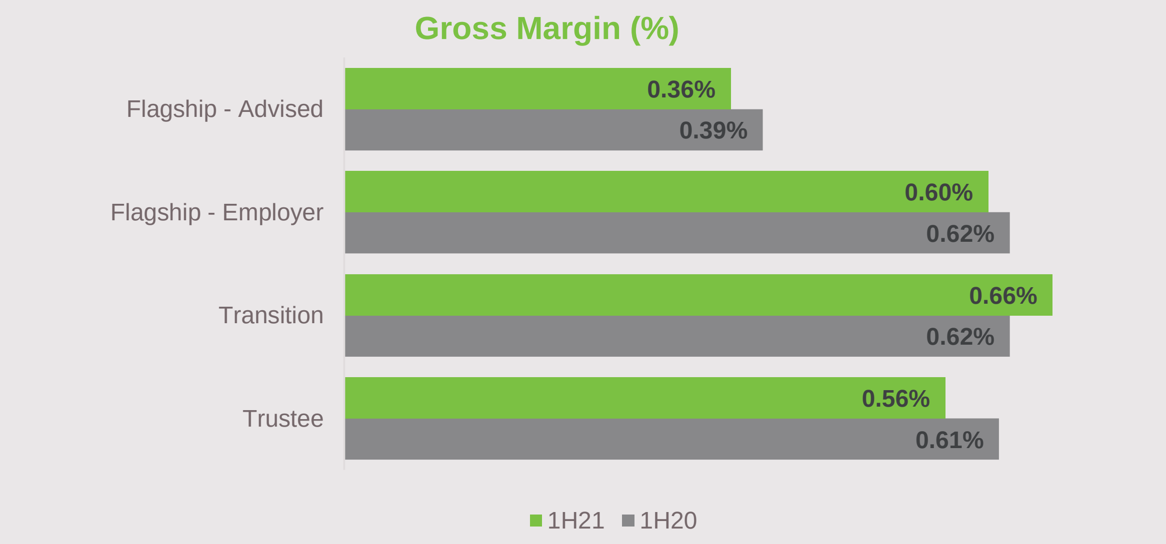
Note: (1) $180m outflow in 1H21, remainder in 4Q20.

Business Overview - Portfolio and Estate Administration





- Launch of Evolve-based SPS, eXpand and IOOF Essential generating significant net inflows to flagship advised products.
- Evolve21 to accelerate movement of Transition products into Flagship, to create a simpler, more cost efficient product set.
- Client demographics vary between Advised and Employer member cohorts. Gross margin earned per member in the Advised products is approximately $930, as opposed to approximately $370 per member in the Employer channel.
- The AET Trustee business includes a variety of high touch services and experiences margin deviations due to fluctuations in estate volumes.



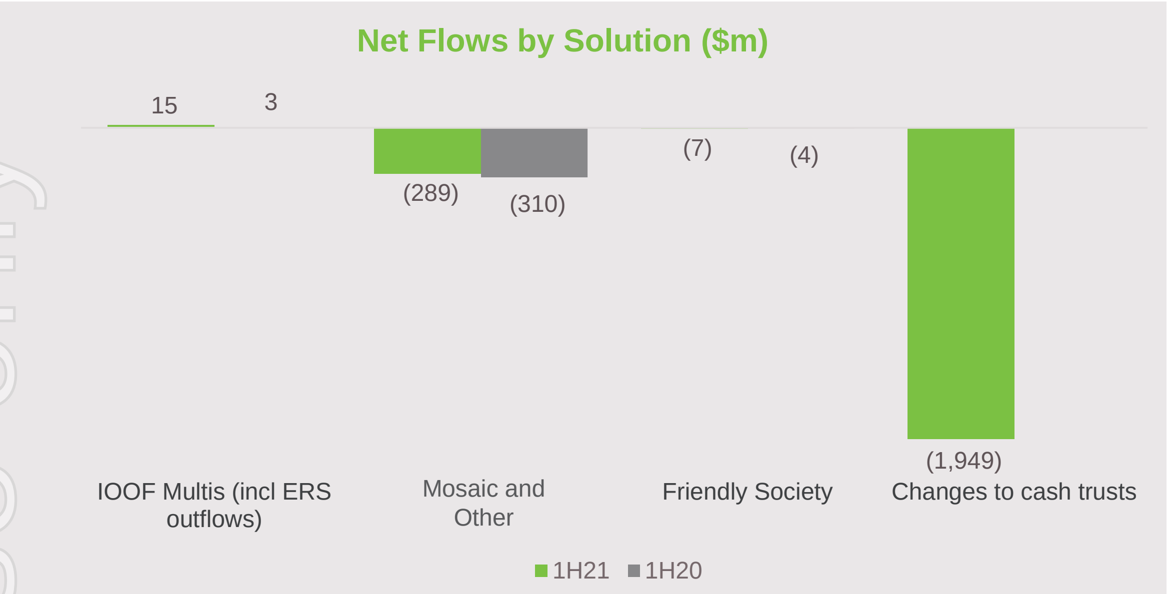
Business Overview - Investment Management

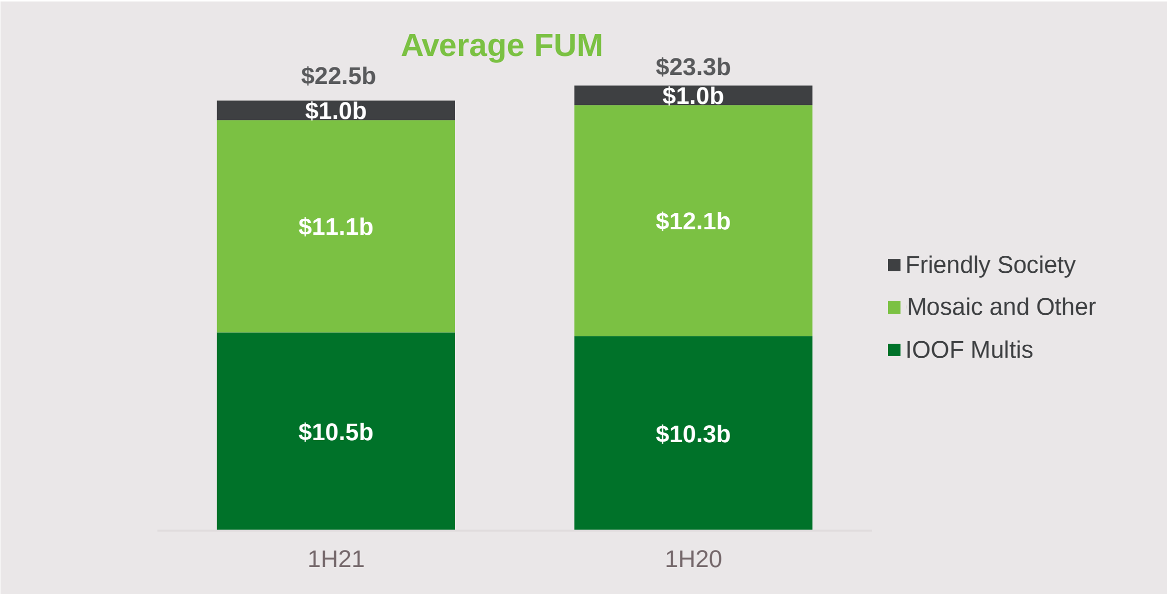
$m	1H21	2H20	1H20	1H21 v 1H20
Revenue	**49.6**	50.8	54.9	(10%)
Direct Costs	**(18.8)**	(18.9)	(20.3)	8%
Gross Margin (GM)	**30.8**	31.9	34.6	(11%)
GM %	**0.27%**	0.28%	0.29%	(8%)
Operating Expenditure	**(7.0)**	(5.3)	(5.2)	(35%)
EBITDA	**23.8**	26.5	29.4	(19%)
Average FUM ($b)	**22.5**	22.7	23.3	(3%)
NOM %	**0.21%**	0.24%	0.25%	(16%)

- The record low interest rate environment impacted margins on cash products by $2m. These products have since been reinvested into external interest-bearing cash accounts delivering improved client outcomes.
- Lower opening FUM balances drove lower average balances for the half and reduced gross margin by $1m.
- Margins remained steady in the award-winning multi-manager channel, with pricing related margin reductions in other products contributing a $1m decline in gross margin.
- Cost increase largely attributable to establishment of the Office of the Responsible Entity, an industry leading governance initiative.

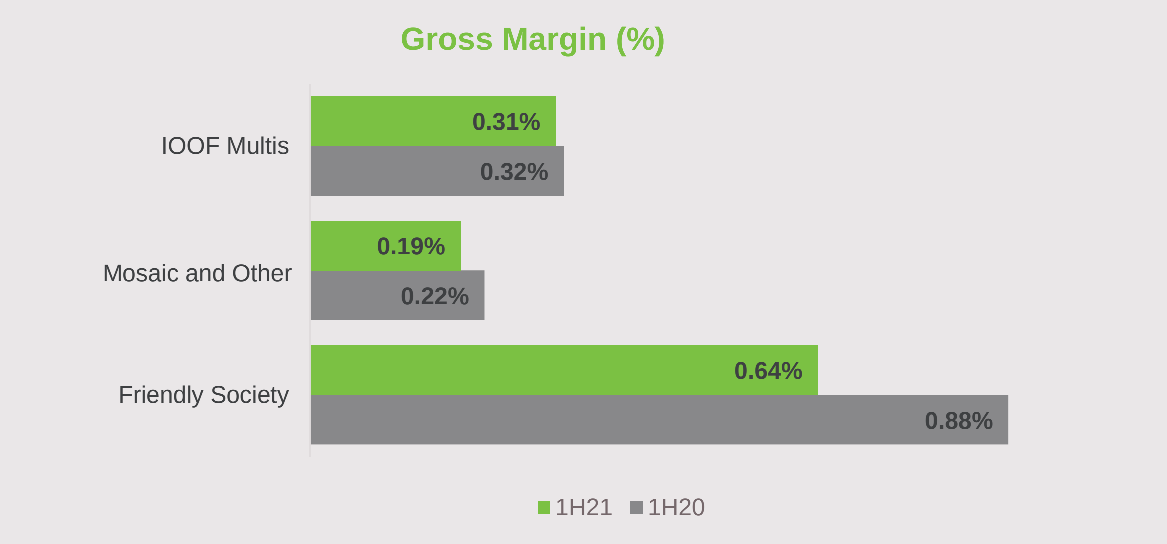
Note: presented on a continuing operations basis. Excludes Perennial Value Management share of equity profit/loss.

Business Overview - Investment Management





- Multi-manager products remained stable in both flows and margin. Strong investment performance outcomes will assist in driving further flows.
- New arrangements to replace cash trusts with external cash accounts will see associated revenue recognised in the portfolio and estate admin segment. Net impact across the group is not expected to be material.
- High margins in the Friendly Society reflect the capital intensive nature and risk borne in respect of these products. Reductions in margin are attributable to preservation of returns to bondholders amid the record low interest rate environment.



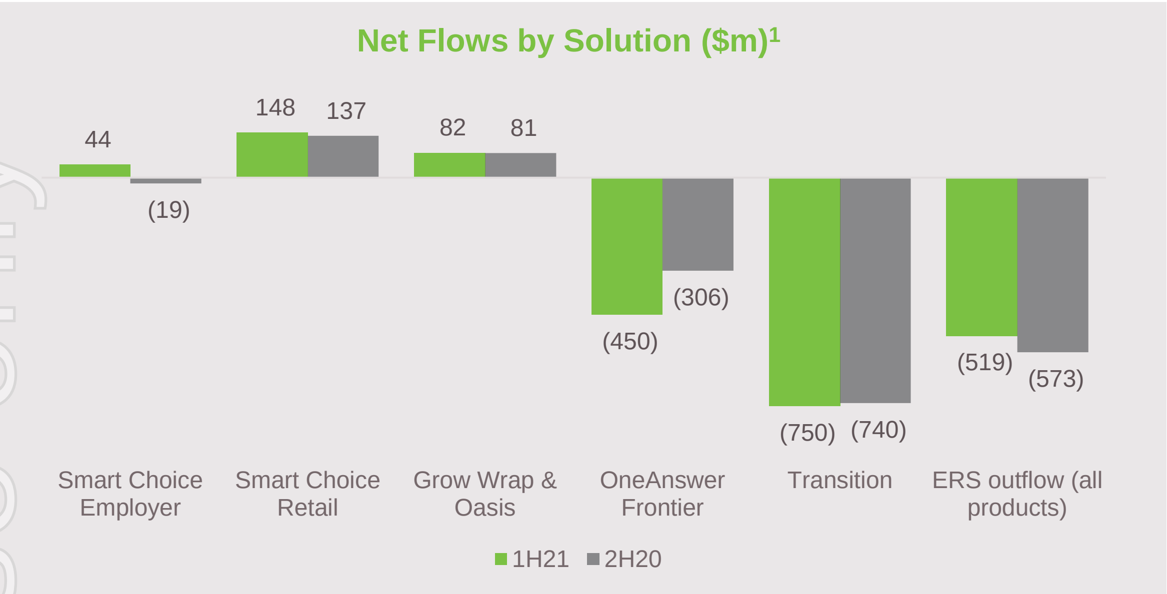
Business Overview - P&I

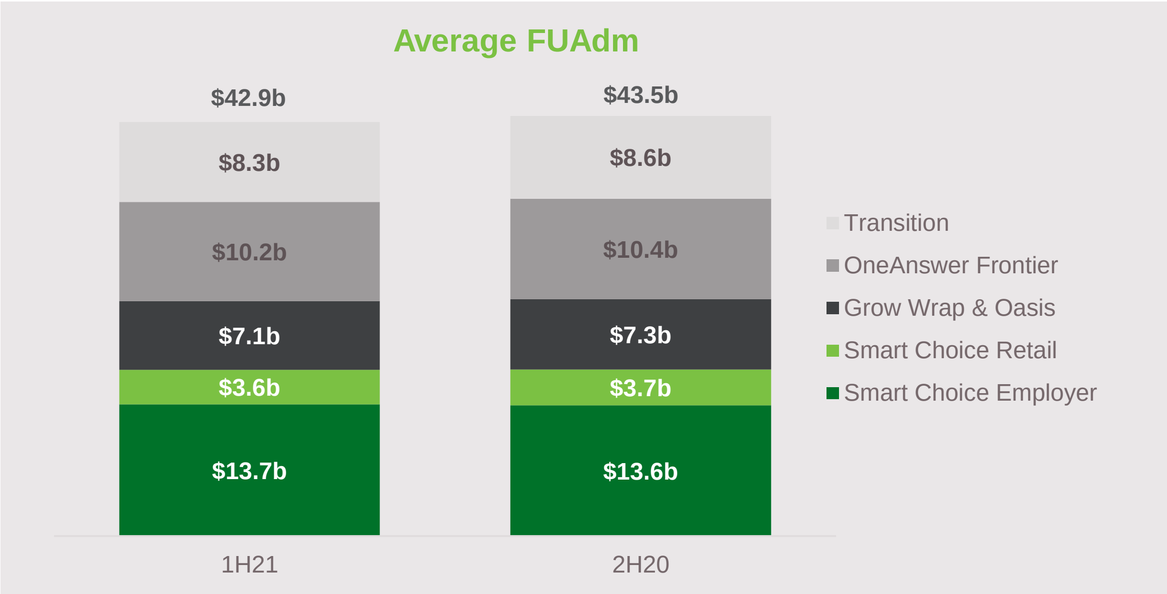
$m	1H21	2H20	1H21 v 2H20
Revenue	**200.2**	168.2	19%
Direct Costs	**(74.9)**	(67.3)	(11%)
Gross Margin (GM)	**125.3**	100.9	24%
GM %	**0.36%**	0.35%	4%
Operating Expenditure	**(76.1)**	(64.0)	(19%)
EBITDA	**49.3**	37.4	32%
Average FUMA ($b)	**68.3**	69.8	(2%)
NOM %	**0.14%**	0.13%	10%

- Successful completion of P&I acquisition in February 2020 – 6 months in 1H21 vs 5 months in 2H20.
- Net outflows resulted in a $3m decrease to gross margin, with a further $2m decrease attributable to a cumulative $1.1b in ERS outflows in the three quarters to 31 December 2020. Equity market improvement during the half added $3m to gross margin to partially offset the impact of net outflows.
- A $2m improvement in margin was attributable to one-off timing outcomes in the charging of customer fees in underlying registry systems, caused by market volatility.
- Improvement in operating expenditure (against a pro forma 2H20 opex of $83.1m[2]) is indicative of P&I cost synergies, the impact of which is spread across several business segments, but most significant within the P&I segment.

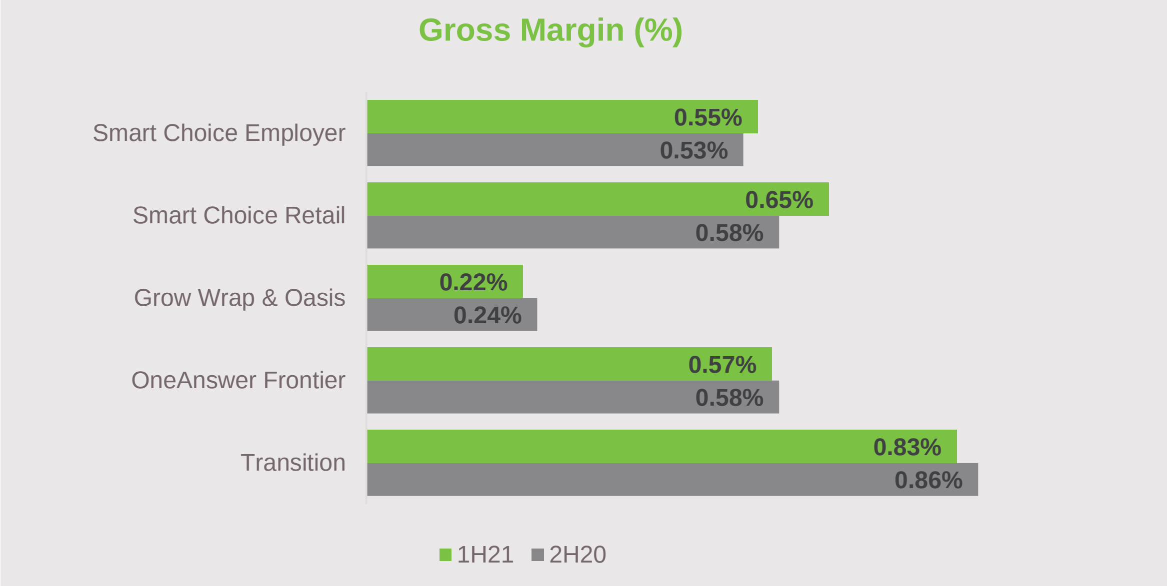
Note: (1) P&I acquired 31 January 2020, 2H20 (five months of IOOF ownership) presented as comparative period. (2) Based on unaudited pro forma information shown on page 22 of the FY20 Results presentation

Business Overview - P&I





- Net flows into contemporary Smart Choice and Wrap offerings remain positive.
- Overall composition of portfolio consistent across both halves, despite significant market volatility and the impact of flows.
- Platform and investment fees bundled in most P&I products, with the exclusion of Wrap.
- High proportion of percentage based fees across P&I portfolio – revenue more correlated with movements in FUMA than heritage IOOF platforms.

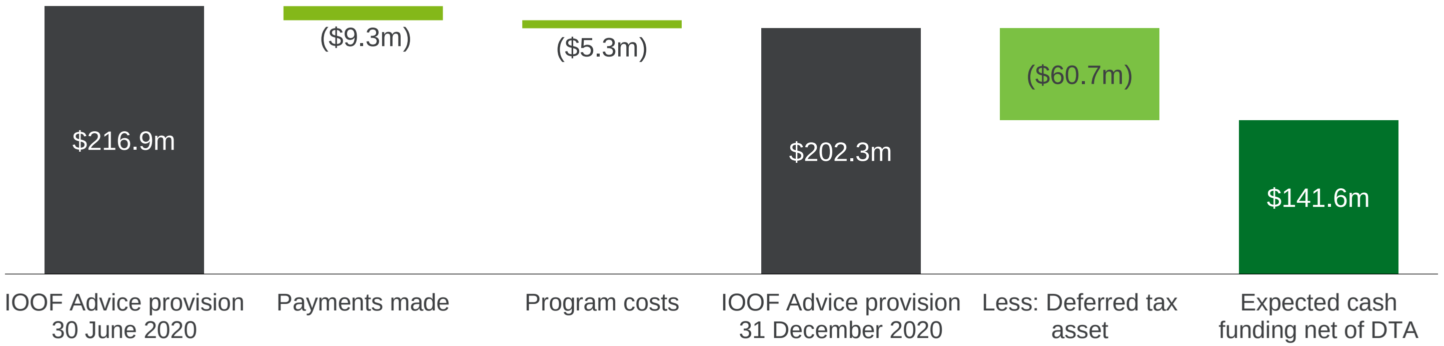


Note: (1) 2H20 net flows include January 2020 (pre-acquisition)

IOOF remediation provision summary

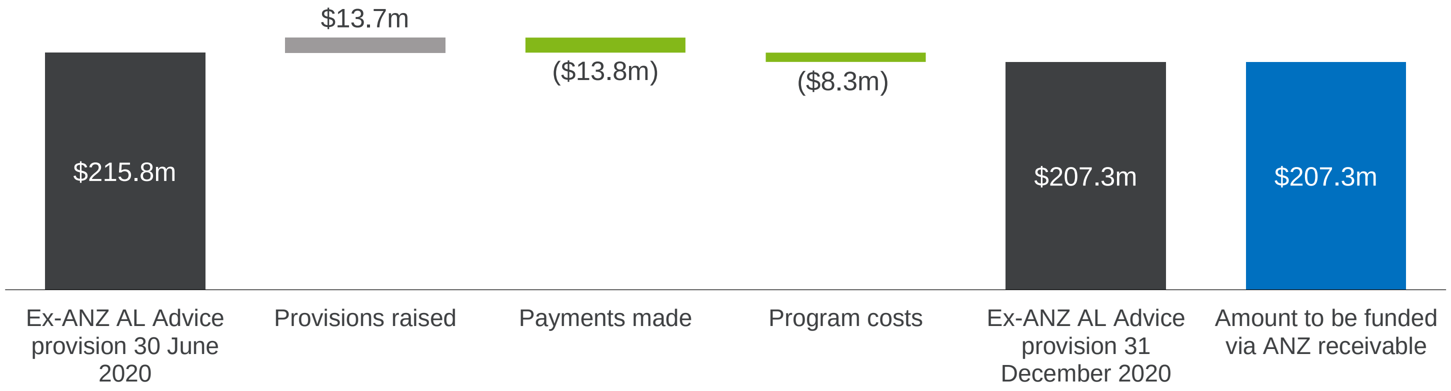
› IOOF Advice remediation provision

- Payments to clients accelerated in 2H20
- Remediation to be funded by available cash
- Remediation program expected to be complete by end of FY22



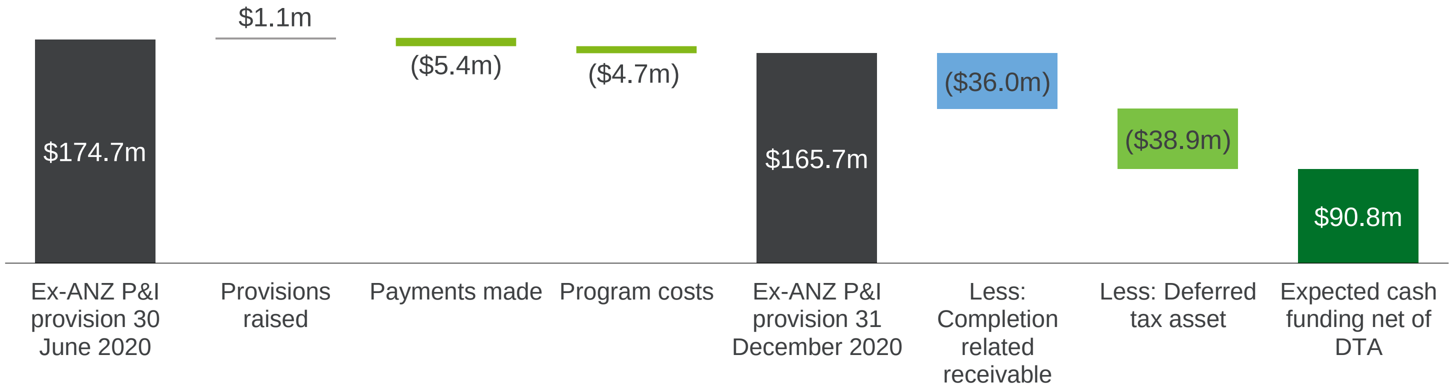
› ANZ AL remediation provision

- No cash payments are expected to be required of IOOF as a result of remediation program arrangements with ANZ
- Increase in provision relating to change in interest calculation is within the cap
- Remediation is running in line with anticipated schedule – expected to be complete by end of FY22



› ANZ P&I remediation provision

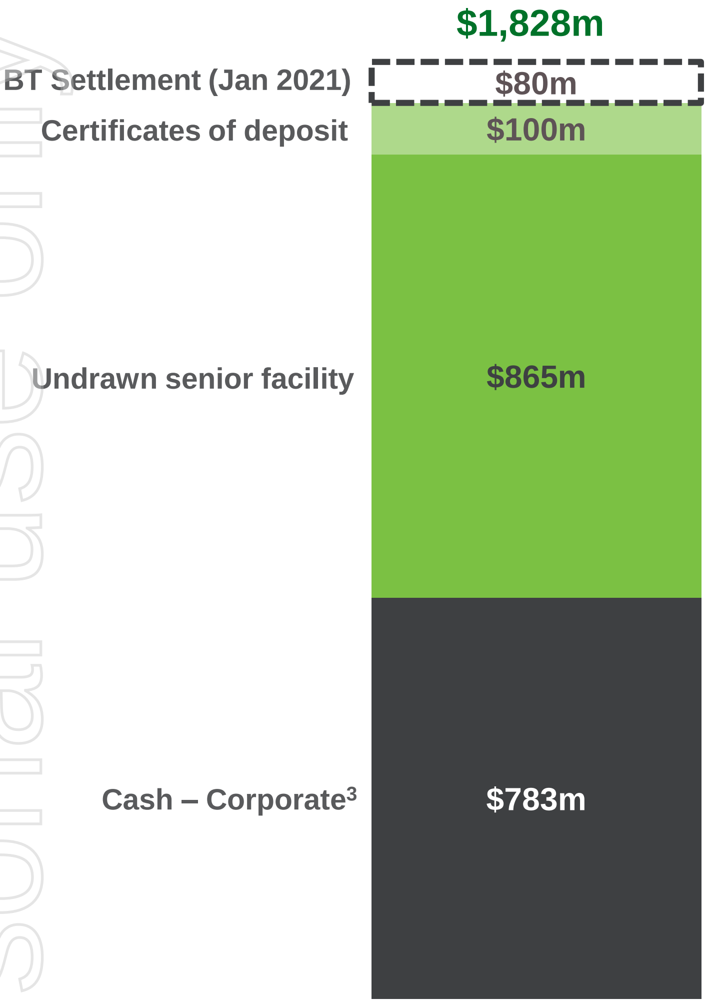
- Provisions restated following completion of net asset completion statement and acquisition accounting[1]
- Remediation to be partly funded by completion related receivables
- Expected to complete calendar year 2022



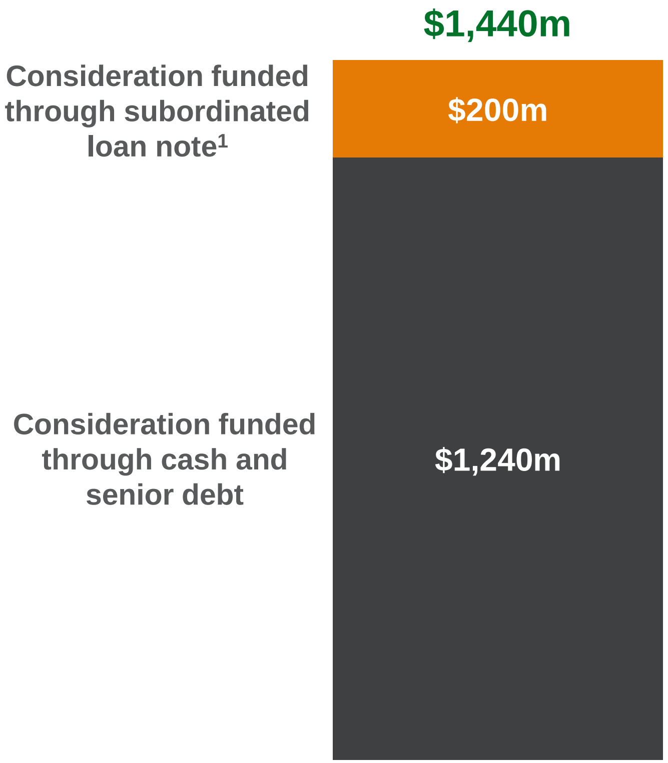
Note: (1) 30 June 2020 provision balance restated from $197.9m to $174.7m upon completion of acquisition accounting.

Corporate Cash and Debt Facilities

Pro forma cash and debt funding at 31 December 2020 (adjusted for BT settlement)



MLC Funding

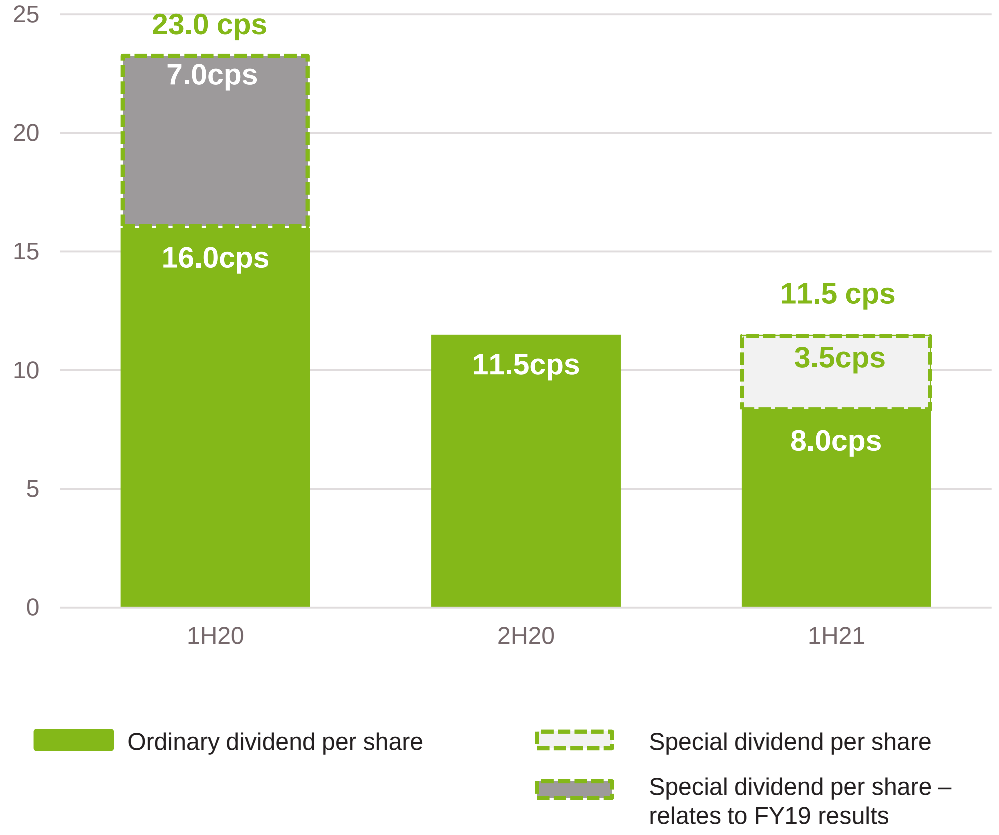


- As at 31 December 2020, IOOF had pro forma cash and available undrawn facilities of $1,828m, of which $1,240m will be required to complete the MLC transaction.
- Additional cash to be acquired with MLC balance sheet.
- Revolving cash advance facilities totalling $865m maturing:
  - September 2022 – Facility A: $240m
  - September 2023 – Facility B and D $625m
- No senior debt will be drawn until MLC. completion
- Target leverage remains at 1.0-1.3x. Estimated leverage of 1.1x post-MLC acquisition[2]. Higher than completion estimate of <1.0x due to acceleration of remediation payments

Notes: (1) Subordinated loan notes excluded from net debt per terms of SFA. (2) Assuming transaction completes in 2H21. (3) Excludes Restricted ORFR cash ($113m).

Prudent returns to expanded shareholder base post capital raise

Dividend per share



- Sustainable 79% ordinary dividend payout ratio
- Within target 60-90% dividend payout range
- Special dividend of 3.5 cps reflects commitment to returns to shareholders and availability of capital following divestment of Australian Ethical Fund shares and BT settlement
- Total dividend payout for the half demonstrates current balance sheet strength and future confidence

Priorities and outlook

Renato Mota, CEO

Understanding the value of advice

FOCUS

Value of advice

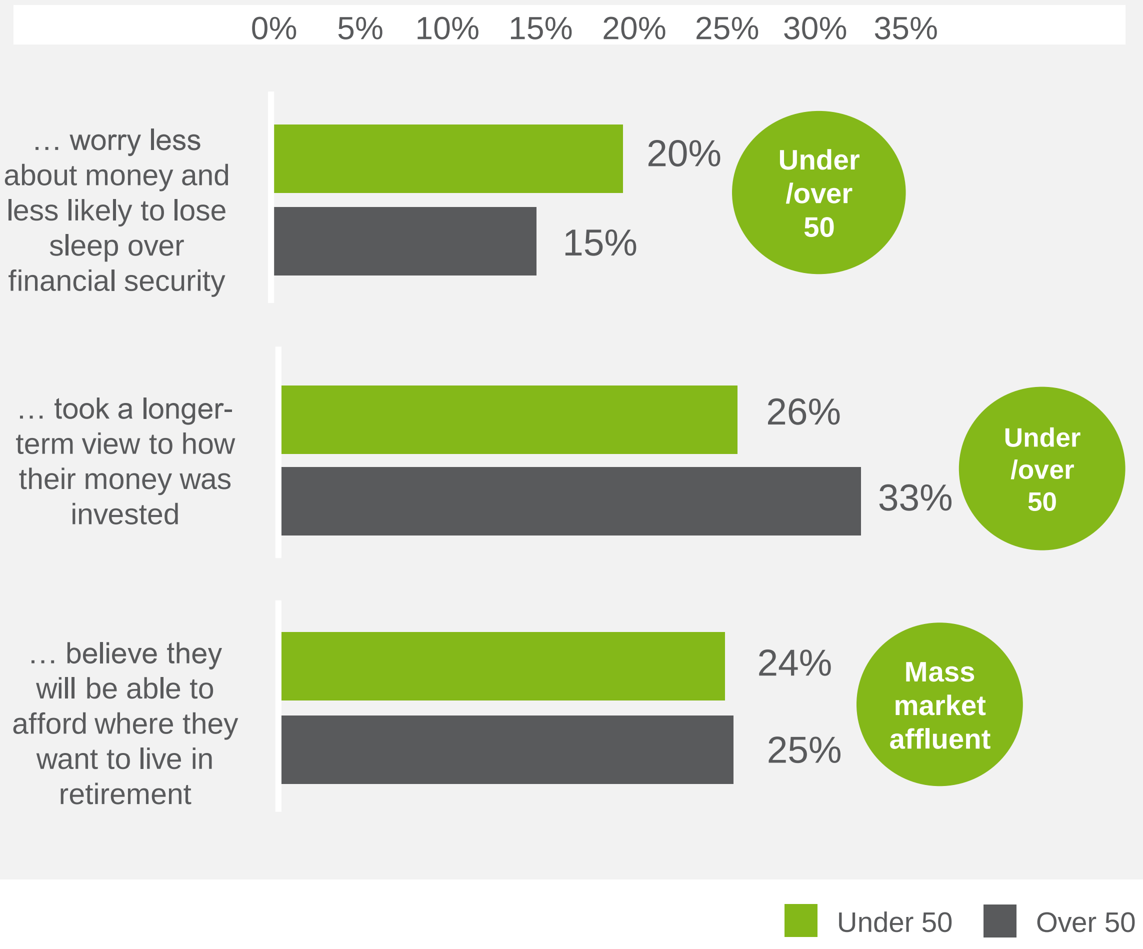
95% … agreed that receiving advice has given them greater peace of mind financially

84% … agree that the financial advice they have received provides more value than it costs

73% … say they save more money as a result of receiving advice

94% … have an understanding of the annual fees they pay for the advice based on several advice documents they receive

Advice dividend

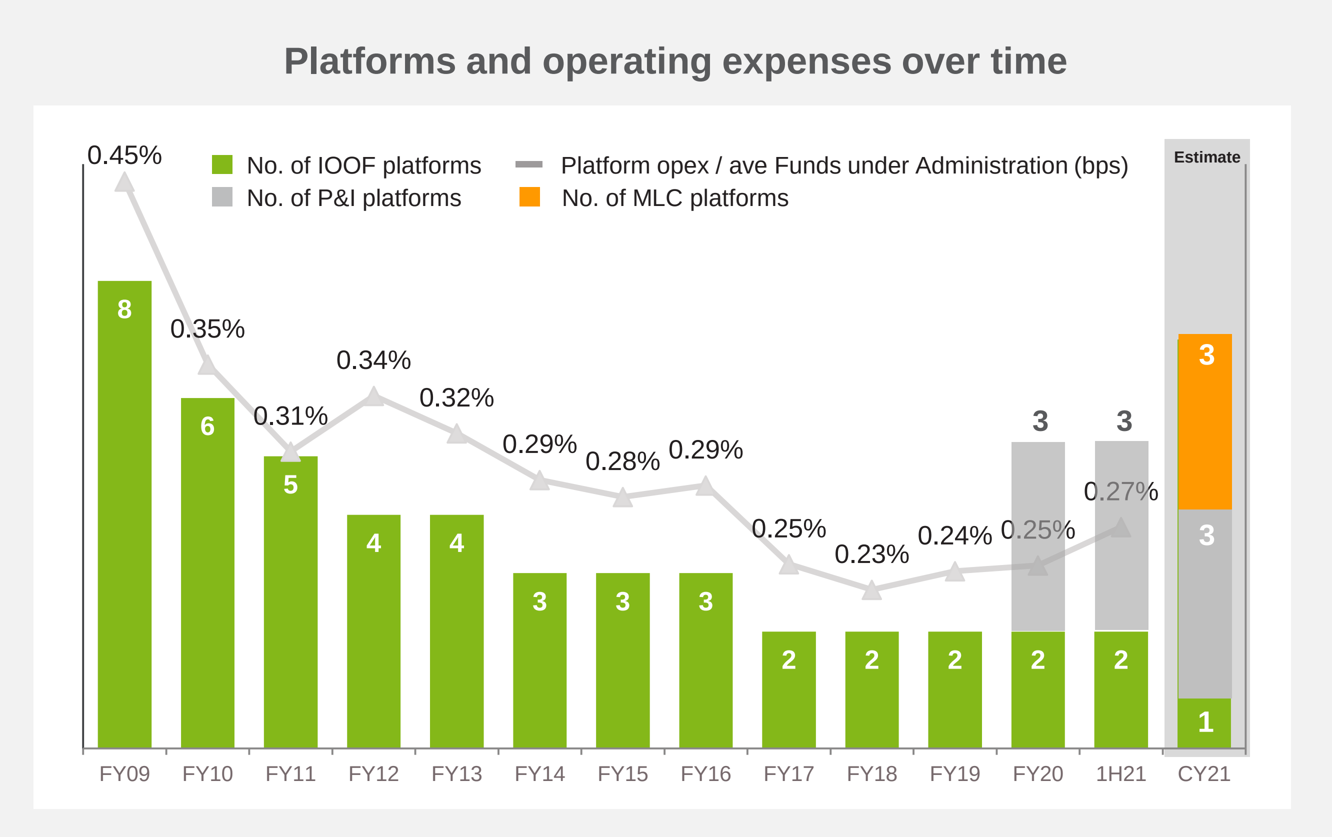


Source: IOOF Survey 2020. *The True Value of Advice – A study of 12,643 Australians*

Ownership and control of client experience, end to end

SIMPLIFY

Successful track record of integration and simplification delivering long term benefits



Simplification benefits

- Highly complementary business model provides opportunities to realise significant simplification and efficiency benefits
- Improved flows expected through product rationalisation and alignment with IOOF products

Client experience

- Technology is a group core competency
- IOOF owns its own technology
- Evolve is a cross-functional programme of work
  - Expected to deliver the go-forward platform for IOOF's proprietary retail, advisory and workplace products and services
- P&I platform enhancements to commence in 2H21

Simplification deliverables: FY22 target

GROW

	IOOF – Portfolio Administration*	IOOF – P&I*	TOTAL	Target reduction by FY22	FY22 TOTAL pre MLC completion
RSE Licensees	1	2	**3**	-1	**2**
Funds	2	2	**4**	-1	**3**
Platforms	2	3	**5**	-2	**3**
Products	62	24	**86**	-52	**34**
Clients	300,457	610,751	**911,208**		

* Excludes AET Small APRA Funds and 3rd party administration partnerships

Clear priorities to deliver superior client outcomes and profitability

Advice 2.0

Deliver more accessible and cost effective financial advice

Advice 2.0 to achieve $10m of annualised savings per annum by 30 June 21

Aligned advice to breakeven by FY23

Bridges network conversion to salaried network to complete by FY22

Target 30%+ EBIT for professional services advice by FY22

FOCUS

EVOLVE 21

Single leading proprietary platform offer across client cohorts

Transition from Orion to Evolve to complete before December 2021

Planning for P&I and MLC platform rationalisation

SIMPLIFY

Transformation through integration

Develop trust through outcomes and service excellence

Deliver cumulative $43m in P&I annualised synergies by 30 June 2021

Complete MLC acquisition by 30 June 2021

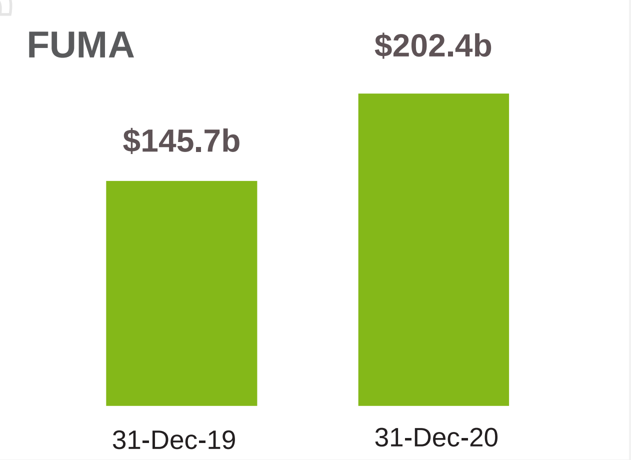
$65-80m synergies to be achieved from MLC acquisition in first 12 months ownership post completion

Implement P&I platform enhancements and pricing

GROW

Scale, strength and economic diversity: an unmatched offering

SCALE & STRENGTH



Dividend payout ratio

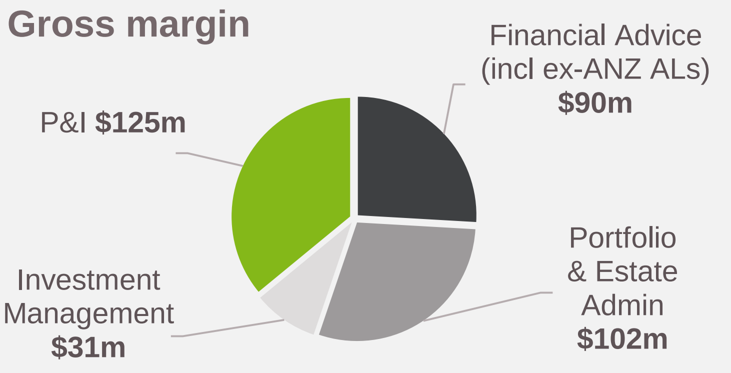
60-90%

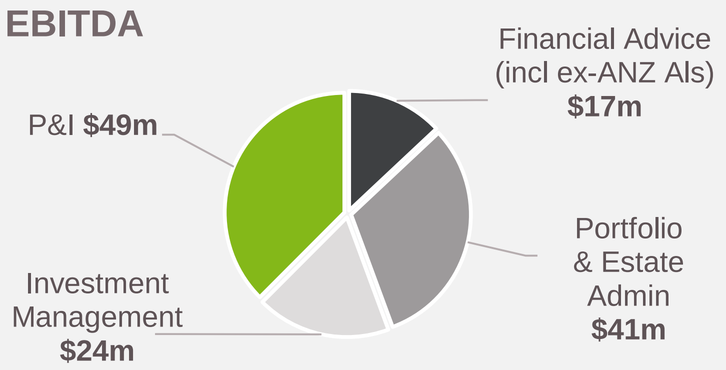
target payout ratio from UNPAT

Our people

2,138 FTE – **228** in IT

ECONOMIC DIVERSITY





LONG-TERM OPPORTUNITY

P&I and MLC (post-completion)

- Pro forma FUMA of $510b[1]
- ~2.4 million clients across Australia
- Step change in scale and economic diversification
- Compelling opportunity to create long-term value for the benefit of clients, members and shareholders

Market trends to support IOOF strategy

- Increasing per capita wealth – looking after ~2.4 m Australians
- Aging population, complex needs
- Ability to deliver end-to-end client relationships

Notes: (1) For MLC, FUMA sourced from NAB as at 30 June 2020. For IOOF, FUMA based on reported FUMA as at 30 June 2020.

Questions

Thank you

ioof.com.au

Appendix | Additional information

Strong governance foundations

FOCUS

Governance rollout & remediation

- ✓ Advice standards harmonisation across all advice groups completed
- ✓ 100% of advisers audited under uplifted Assurance and Governance Framework to ASIC 515 standard
- ✓ Deloitte reviewing SOA's to ensure they meet the uplifted requirements
- ✓ 70% through the transition from Ongoing Fee Arrangements to Fixed Term Client Service Agreements for all clients

Coming soon

- Changes to comply with new regulatory regime being introduced in Oct 2021 for Complaints, Incidents and Breach Reporting
- Harmonised Key Control Testing framework being rolled out across all Advice Groups

IOOF Advice remediation provision

- No change to previously advised provision total
- IOOF remediation program to be complete end of FY22

Investment simplification and client accolades

SIMPLIFY

Simplification of IOOF Investment Solutions

- Fund consolidation: Alignment of objectives, managers and strategies for underlying sector pools (MultiSeries/OnePath/OptiMix funds)
- Consolidation of managers utilised: from 24 to 14, reduction of 10
- Greater economies of scale with manager allocations and strategies
- Greater investment diversification to drive better client outcomes
- More focused portfolio planning and oversight, with less complexity
- More meaningful partnerships with preferred managers
- Lift in investment capabilities in new organisational structure – specialist asset class teams

SmartChoice Investment Review

- Introduction of Alternative Assets; infrastructure projects, real estate and private equity
- Expands on investment return opportunities available to clients
- Complements current investments
  - Changes to the Lifestage investment construct
  - Increasing allocation of growth assets
- Enhanced member experience – engagement and financial well-being strategy
- Simplified online access process plus incorporation of the SuperMatch service
- Sustainable, competitive pricing

MONEY MANAGEMENT FUND MANAGER OF THE YEAR 2020 – AUSTRALIA'S FIRST INDEPENDENT AND WHOLE OF MARKET AWARDS – WINNER Multi Asset - Balanced

MONEY MANAGEMENT FUND MANAGER OF THE YEAR 2020 – AUSTRALIA'S FIRST INDEPENDENT AND WHOLE OF MARKET AWARDS – FINALIST Australian Fixed Income

MONEY MANAGEMENT FUND MANAGER OF THE YEAR 2020 – AUSTRALIA'S FIRST INDEPENDENT AND WHOLE OF MARKET AWARDS – FINALIST Global Property Securities

FE fundinfo Crown Fund Rating

Money Magazine WINNER 2021 – Best Multi-Sector Fund – Best of the Best 2021

Money Magazine WINNER 2021 – Best Australian Shares Super Product – Best of the Best 2021

Zenith Investment Partners – Recommended

Segment Financial Information - Financial Advice and ex-ANZ ALs

Financial Advice

$m	1H21	2H20	1H20	1H21 v 1H20
Revenue	**172.7**	180.1	193.0	(10%)
Direct Costs	**(90.6)**	(94.8)	(100.5)	10%
Gross Margin (GM)	**82.1**	85.3	92.4	(11%)
GM %	**0.30%**	0.31%	0.31%	(4%)
Operating Expenditure	**(52.2)**	(51.6)	(52.5)	0%
EBITDA	**30.5**	35.4	43.4	(30%)
Average FUAdv ($b)	**53.8**	55.9	58.5	(8%)
NOM %	**0.11%**	0.13%	0.15%	(22%)

Ex-ANZ ALs

$m	1H21	2H20	1H20	1H21 v 1H20
Revenue	**104.5**	112.1	106.4	(2%)
Direct Costs	**(96.3)**	(101.0)	(97.0)	1%
Gross Margin (GM)	**8.2**	11.1	9.4	(13%)
GM %	**0.10%**	0.13%	0.11%	(12%)
Operating Expenditure	**(22.0)**	(23.8)	(26.1)	16%
Segment EBITDA	**(13.4)**	(10.9)	(15.5)	14%
Average FUAdv ($b)	**16.6**	17.2	16.8	(1%)
NOM %	**-0.16%**	-0.13%	-0.18%	13%

Notes: (1) Segment results are presented on a continuing operations basis (Excl Ord Minnett and IOOF NZ).

Purchase Price Allocation – P&I

$m	Previously reported 30 June 2020	Adjustment	Revised 30 June 2020
Assets[1]			
Receivables[2]	613	(33)	580
Current tax assets[2]	-	24	24
Deferred tax assets	50	(50)	-
Intangible assets	344	181	525
Goodwill	1,596	(131)	1,465
Other assets	1,656	-	1,656
Total assets	**4,259**	**(9)**	**4,250**
Liabilities[1]			
Provisions	756	(23)	733
Deferred tax liabilities	-	20	20
Other Liabilities	1,759	-	1,759
Total liabilities	**2,515**	**(3)**	**2,512**
Net assets	**1,743**	**(6)**	**1,738**
Equity			
Share capital	1,966	-	1,966
Reserves	91	-	91
Accumulated losses	(314)	(6)	(319)
Total equity attributable to equity holders of the Company	**1,743**	**(6)**	**1,738**
Non-controlling interest	(0)	-	(0)
Total equity	**1,743**	**(6)**	**1,738**

- In the current period, IOOF has finalised the purchase price allocation relating to its acquisition of the ex-ANZ P&I businesses.
- In accordance with relevant accounting standards, the adjustments required have been recognised retrospectively, with adjustments made to provisional amounts recognised at the acquisition date.
- The restatements to IOOF's 30 June balance sheet are shown in the table

Notes: (1) Assets and liabilities not impacted by adjustments have been grouped into other assets and other liabilities for the purpose of simplifying presentation. Further detail is available in note 6-2 (d) of the condensed consolidated interim financial report. (2) Current tax assets were included within other receivables at 30 June 2020. They have been split out and presented separately in the 30 June 2020 column of the 31 December 2020 balance sheet. This does not relate to an acquisition accounting adjustment.

Statutory NPAT reconciliation

	1H21 $m	2H20 $m	1H20 $m
Profit attributable to Owners of the Company	**54.4**	32.0	115.0
Discontinued operations	**-**	(1.0)	(87.2)
Profit/(Loss) from continuing operations attributable to Owners of the Company	**54.4**	31.0	27.8
Underlying net profit after tax pre-amortisation (UNPAT) adjustments:			
Amortisation of intangible assets	**28.2**	18.5	18.3
Unwind of deferred tax liability recorded on intangible assets	**(7.7)**	(4.9)	(4.9)
Acquisition costs - Acquisition advisory	**3.5**	5.6	0.4
Acquisition costs - Integration preparation	**15.1**	9.8	3.7
Acquisition costs - Finance costs	**3.2**	-	0.1
BT settlement income	**(59.2)**	-	-
Legal provision	**22.0**	-	-
Advice 2.0 costs	**0.7**	-	-
Evolve costs	**6.4**	6.2	5.2
Termination payments	**0.1**	0.2	2.7
Profit on divestment of assets	**(1.3)**	(1.2)	(0.3)
Non-recurring professional fees paid	**3.8**	2.0	4.4
Impairment of goodwill and investment	**-**	4.3	-
Remediation costs	**-**	-	1.5
Governance uplift costs	**0.7**	1.3	3.2
Other	**(0.1)**	0.7	0.7
Income tax attributable	**(4.0)**	(5.9)	(6.4)
UNPAT from continuing operations	**65.9**	67.6	56.5
UNPAT from discontinued operations	**-**	(0.1)	4.9
UNPAT	**65.9**	67.5	61.4

UNPAT adjustments

Amortisation of intangible assets: Non-cash entry reflective of declining intangible asset values over their useful lives. Intangible assets are recognised upon acquisition. Intangible assets (other than goodwill) are amortised over the expected useful life of the asset. The amortisation of software development costs is not reversed in calculating UNPAT.

Unwind of deferred tax liability recorded on intangible assets: Acquired intangible asset valuations for AASB 3 Business Combinations accounting are higher than the required cost base. A deferred tax liability (DTL) is required to be recognised as there is an embedded capital gain should the assets be divested at their accounting values. This DTL reduces in future years at 30% of the amortisation applicable to those assets which have different accounting values and tax cost bases. The recognition of DTL and subsequent reductions are not reflective of conventional recurring operations and are regarded as highly unlikely to be realised due to the IOOF Group's intention to hold these assets long term.

Acquisition costs - Acquisition advisory: One off payments to external advisers for corporate transactions, such as the acquisition of MLC and the ANZ OnePath pensions and investments (ANZ P&I) business (prior comparative period (pcp)), which were not reflective of conventional recurring operations.

Acquisition costs - Integration: Staff and specialist contractor costs related to integration for the acquisition of the ANZ P&I and MLC businesses. Costs include project labour costs, redundancy and termination costs, IT and other consultancy fees, outsourced hosting services, and Advisor recognition accruals.

Acquisition costs - Finance costs: Upfront costs of securing finance for the acquisition of the MLC transaction and ex-ANZ P&I businesses (pcp).

BT settlement income: One-off settlement income in connection with the termination of the platform relationship with BT Portfolio Services Ltd, net of debtors previously recognised.

Legal provision: Costs in connection with the judgement in the Kerr v Australia Executor Trustees (SA) Ltd proceedings in excess of amounts covered by the Group's insurance.

Advice 2.0: One-off costs, including legal fees and consultancy fees in connection with the implementation of Advice 2.0.

UNPAT adjustments (cont’d)

Evolve: Project labour costs and IT consultancy fees associated with the Group's proprietary Evolve platform.

Termination payments: Represents termination payments to staff which facilitates restructuring to ensure long term efficiency gains.

Profit on divestment of assets: Divestments of non-core businesses, client lists and associates.

Non-recurring professional fees paid/ (recovered): Payment of specific legal costs that are not reflective of conventional recurring operations. Includes costs associated with assistance with APRA and ASIC related matters.

Remediation costs: Remediation costs that arose predominantly as a result of fees for no service and quality of advice remediation programs, including costs of administering the project.

Governance uplift costs: Costs incurred in undertaking projects that are outside the ordinary course of business. Costs predominantly relate to project labour costs and consultancy fees.

Other: Losses on divestment of non-current assets and impairment of customer related intangibles.

Income tax attributable: This represents the income tax applicable to certain adjustment items outlined above.

Important disclaimer

Forward-looking statements in this presentation are based on IOOF’s current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond IOOF’s control and could cause actual results, performance or events to differ materially from those expressed or implied. These forward-looking statements are not guarantees or representations of future performance and should not be relied upon as such.

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