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31 August 2020

Acquisition of MLC and FY20 Results Announcement

Transformational acquisition of MLC

IOOF Holdings Ltd (ASX: IFL; OTC: IOOFY) today announced that it has entered into transaction agreements with National Australia Bank (NAB) to acquire 100% of NAB's wealth management business (MLC) for \$1,440 million, subject to completion adjustments.

The acquisition is expected to deliver in excess of 20% EPS accretion on an FY21F pro forma basis, including \$150 million of targeted pre-tax synergies, excluding transaction and integration costs.

Mr Renato Mota, Chief Executive Officer of IOOF, said, "The opportunity to acquire a highly complementary business of the quality and size of MLC is compelling. MLC is a natural fit with IOOF and presents a unique opportunity to create value from synergies for the benefit of clients, members and shareholders. This is a once in a generation opportunity to create the leading wealth manager of the future.

"As the financial service industry reshapes, a much bigger and better IOOF will position it at the forefront of the industry transformation. In this new era, and in response to changing societal and technological needs, the new IOOF will have the ability to offer unmatched choice and accessibility of quality financial advisory and wealth management services to all Australians."

Transaction highlights

- IOOF will acquire 100% of MLC comprising its financial advice¹, platforms and asset management businesses for a total purchase consideration of \$1,440 million. This represents 7.4x pro forma UNPAT (12 months to 30 September 2020) including full targeted synergies²; and 16.2x pro forma UNPAT excluding synergies.²
- MLC presents a transformational acquisition that will create a new IOOF, Australia's leading advice-led wealth manager. The new IOOF will be:
 - #1 retail wealth manager by FUMA – \$510 billion.³
 - #1 advice business by number of advisers – 1,884 advisers.⁴

¹ IOOF is acquiring the Godfrey Pembroke and MLC brands but will not be acquiring the Meritum, Apogee or Garvan brands. NAB will retain the AFSL holders that operate MLC's advice business. MLC self-employed advisers proposed to transfer to IOOF AFSLs at Completion.

² Based on IOOF's estimate of MLC's Sep-20 earnings reflecting a standalone cost base.

³ For MLC, FUMA sourced from NAB as at 30 June 2020. For IOOF, FUMA based on reported FUMA as at 30 June 2020.

⁴ IOOF financial adviser numbers sourced from ASIC financial adviser register (as at 20 August 2020). MLC adviser numbers sourced from NAB as at 30 June 2020. Assumes all current MLC financial advisers transition to IOOF. Based on active MLC advisers only.

- #2 superannuation provider by FUAAdmin – \$173 billion.⁵
- MLC is a highly complementary business to IOOF and the combination provides IOOF with the unique opportunity to lead the transformation of the wealth management industry. The transaction further assists IOOF to utilise its proprietary technology to deliver the lowest cost to operate and ultimately, will enhance IOOF's ability to deliver superior, long-term outcomes for clients, members, advisers and shareholders.
 - The new IOOF will look after c. 2.2 million Australians and have the ability to offer broad choice and accessibility of quality financial advice and wealth management services.
 - In the past 18 months IOOF has been transforming its business to be fit-for-purpose in the new wealth management environment, spearheaded by ClientFirst, Evolve and Advice 2.0 strategies and the acquisition of MLC is aligned with these strategies.

IOOF's Chief Executive Officer, Renato Mota, said, "We believe scale will be critical for success and ensuring that both clients and shareholders benefit from the industry transformation. Merging two of the longest standing businesses in wealth management brings together a combined culture and common purpose of community spirit and supporting people to achieve their financial goals. The combination of IOOF and MLC brings wide-ranging capabilities, technical expertise and a purpose driven mindset to enable the new-era group to significantly enhance choice, accessibility and client experience."

Attractive financial metrics

The acquisition presents significant opportunities to simplify and streamline the combined operations and deliver targeted synergies:

- Targeting pre-tax synergies of \$150 million per annum by the third full year of ownership on a run-rate basis.
- Expected to deliver in excess of 20% EPS accretion on an FY21F pro forma basis⁶, including \$150 million of targeted pre-tax synergies, excluding transaction and integration costs.
- Targeting return on funds employed of c. 15%⁷ by the third full year of ownership.
- One-off pre-tax integration and transaction costs of approximately \$360 million to be incurred over ~4 years.

IOOF has a proven track record of successfully integrating acquisitions, and is confident in its ability to realise the targeted \$150 million of pre-tax synergies as part of this transaction.

⁵ Based on APRA annual fund-level superannuation statistics June 2019 (issued 10 December 2019).

⁶ EPS accretion as if the MLC acquisition was effective 1 July 2020. In accordance with AASB133, IOOF's FY21F EPS has been adjusted to account for the bonus element of the Entitlement Offer and the Placement. Calculated excluding the impact of any proceeds received under the proposed Share Purchase Plan.

⁷ Calculated as the expected returns in the third full year of ownership (including targeted run-rate synergies of \$150m pre-tax, excluding integration and transaction costs) divided by funds employed (inclusive of transaction and integration costs). Funds employed is calculated as capital employed including cumulative capital expenditure less cumulative depreciation and amortisation over 3 years.

Purchase consideration funding

The total purchase consideration of \$1,440 million (subject to completion adjustment) and upfront integration and transaction costs (approximately \$90 million) will be funded via:

- \$1,040 million fully underwritten institutional placement (Placement)⁸ and accelerated non-renounceable entitlement offer (Entitlement Offer), launched today;
- \$250 million of incremental senior debt via an underwritten syndicated debt facility;
- \$200 million in a subordinated loan note issued to NAB; and
- \$40 million of existing IOOF cash.

The existing \$670 million syndicated facility is expected to remain in place and IOOF will seek consent from its lender group in relation to the acquisition. As part of the transaction, IOOF will expand its total debt facilities by \$250 million in total facility limits. To ensure funding certainty, IOOF has engaged Citi and NAB to underwrite \$920 million of total debt facilities as a backstop to the syndicated facility.

The \$200 million of subordinated loan note issued to NAB has the following key components:

- Coupon of 1% per annum. Steps up to 4% p.a. if Noteholders request redemption more than 42 months after the issue date and IOOF does not redeem;
- Five year maturity date with an early redemption start period of 42 months from Completion;
- Redemption amount equal to principal plus accrued interest plus additional amount equal to any uplift in notional securities over a reference price (being a 15% premium to TERP for the Equity Offer) and subject to adjustment; and
- Subordinated to the Group's senior bank debt financiers.

Other transaction details

IOOF will not assume conduct or remediation liabilities for MLC's advice business arising in relation to pre-completion conduct as the MLC licensed advice entities will remain with NAB.

Other MLC pre-completion conduct or remediation liabilities including for the platform business will be retained by IOOF, which will manage its exposure through a combination of provisions, indemnities and warranties including indemnities for fines and penalties, certain regulatory investigations and certain litigation matters (including for two class actions and one ASIC proceeding).⁹

Completion is expected before 30 June 2021, subject to APRA and ACCC approvals and other customary conditions.

⁸ In accordance with Class Waiver Decision – Temporary Extra Placement Capacity – granted by ASX, the Placement is within the Company's placement capacity calculated as if the Company's placement capacity under Listing Rule 7.1 is 25% and not 15%, and by reference to the number of the Company's shares that may be issued under the Entitlement Offer, and accordingly no shareholder approval is required in connection with the Placement. The Company's shares issued under the Placement do not have rights to participate in the Entitlement Offer.

⁹ While the provisions, indemnities and warranties in the Sale and Purchase Agreement have sought to address known issues, those arrangements may not respond in all circumstances and are subject to limitations and as such IOOF could retain economic exposure for certain pre-completion conduct or remediation liabilities— refer to the transaction investor presentation for a summary of the Sale and Purchase Agreement and the Risks Section.

Pro forma leverage and dividends

On transaction completion, IOOF expects its net debt / EBITDA ratio to be less than 1.0x, which is below IOOF's target leverage ratio range of 1.0x to 1.3x.¹⁰ IOOF also expects that its actual leverage ratio to further reduce over time.

Mr. Mota said, "IOOF will maintain a strong balance sheet and liquidity position with a prudent leverage setting, notwithstanding the significant larger scale of the two businesses."

IOOF is restating its commitment to its dividend policy of paying out 60 – 90% of underlying NPAT.

Integration management

In the last 18 months, IOOF has introduced a new leadership team and restructured its teams to deliver its transformation program. IOOF has developed a detailed integration plan for MLC which will ensure a smooth transition, alongside the ongoing integration of the Pensions & Investments (P&I) business. To support this business transformation, IOOF will be creating a new executive role, reporting to the CEO, dedicated to overseeing the Transformation.

Mr Mota said, "The integration of businesses, from small to large and complex, is something IOOF is particularly skilled in and our track record of success attests to the positive outcomes. We have developed a plan for a smooth transition and an effective integration process which we are confident in our ability to execute. We are targeting to complete the integration in around 36 months from completion. There will be clear responsibility and accountability across the organisation, and a dedicated Transformation team will be established to manage the integration. I am confident that we have the experience, ability and the right people to implement a smooth transition and integration process, alongside the ongoing integration of the P&I business."

Details of the fully underwritten Entitlement Offer and Placement

IOOF is undertaking a fully underwritten 1 for 2.09 Entitlement Offer to raise \$588 million, and a fully underwritten \$452 million Placement, together raising approximately \$1,040 million.

The equity raising will be conducted at \$3.50 per New Share (Offer Price), representing a:

- 22.5% discount to the dividend adjusted last close price of \$4.515 on Wednesday, 26 August 2020; and
- 13.6% discount to the dividend adjusted TERP of \$4.05 (including Placement).

The Entitlement Offer and Placement will result in approximately 297 million new shares being issued, representing approximately 85% of IOOF's existing issued capital. New Shares issued will rank equally with existing Shares, except that they will not be eligible for the dividend declared on 31 August 2020.

While the use of funds raised (excluding the non-underwritten share purchase plan (SPP) proceeds) is to fund the consideration and transaction costs for the Acquisition, the Offer will also re-calibrate and strengthen the

¹⁰ Based on IOOF's estimate of MLC's Sep-20 earnings reflecting a standalone cost base. Does not include synergies. Net debt as defined for debt covenants and excludes the subordinated loan note issued to NAB.

IOOF balance sheet to provide greater financial flexibility to continue to execute IOOF's growth strategy in the current Covid-19 environment.

IOOF is also providing eligible retail shareholders with the opportunity to acquire additional New Shares under the non-underwritten SPP to minimise the dilution impact from the Placement. Net proceeds raised from the SPP will add further balance sheet flexibility to IOOF.

Details of the Share Purchase Plan

In addition to the Entitlement Offer and Placement, IOOF will also offer eligible shareholders the opportunity to participate in a non-underwritten SPP. Under the SPP, eligible IOOF shareholders, being shareholders with a registered address in Australia or New Zealand on IOOF's register as at 7:00pm (Sydney time) on 28 August 2020, will have the opportunity to apply up to A\$30,000 of New Shares without incurring brokerage, commission or transaction costs.

The issue price of New Shares under the SPP will be the Offer Price. New Shares issued under the SPP will rank equally with existing IOOF shares from the date of issue, except that they will not be eligible for the final FY2020 dividend declared on 31 August 2020.

Full details of the SPP will be set out in the SPP offer booklet, which is expected to be released to the ASX and dispatched to eligible shareholders on Monday, 7 September 2020.

IOOF is aiming to raise up to \$50 million via the SPP which is not underwritten, but reserves the right to increase this amount in its absolute discretion.¹¹

Transaction timetable

The transaction is subject to regulatory approval from APRA and ACCC. IOOF and NAB have commenced preliminary discussions with both those regulators. Subject to obtaining these approvals, IOOF expects to complete the transaction before 30 June 2021.

¹¹ The equity raising structure balances the need for certainty of proceeds received through the underwritten Placement and Entitlement Offer (for the purposes described in this announcement) with IOOF's desire to provide its retail shareholders with the opportunity to further participate in the capital raise through the SPP. The target on the SPP of \$50 million is considered appropriate to provide the majority of IOOF's retail shareholders with the opportunity to receive a pro rata allocation having regard to the total equity raising size and structure (including that it is being offered together with the Entitlement Offer) and the construct of the share register. Full details of the SPP will be set out in the SPP offer booklet, which will be sent out to eligible shareholders in due course.

Equity raising timetable

Event	Date
SPP Record Date	7:00pm Friday, 28 August 2020
Announcement of Placement and accelerated non- renounceable entitlement offer	Monday, 31 August 2020
Entitlement Offer record date	7:00pm Wednesday, 2 September 2020
Placement and Institutional Entitlement Offer	
Placement and Institutional Entitlement Offer opens	Monday, 31 August 2020
Placement and Institutional Entitlement Offer closes	Tuesday, 1 September 2020
Announcement of results of Placement and Institutional Entitlement Offer	Wednesday, 2 September 2020
Shares recommence trading	Wednesday, 2 September 2020
Settlement of New Shares issued under the Placement and Institutional Entitlement Offer	Monday, 7 September 2020
Issue and commencement of trading of New Shares under the Institutional Entitlement Offer	Tuesday, 8 September 2020
Retail Entitlement Offer and SPP	
Retail offer booklet despatched to Eligible Retail Shareholders and Retail Entitlement Offer opens	Monday, 7 September 2020
SPP offer booklet despatched to Eligible Retail Shareholders and SPP opens	Monday, 7 September 2020
Retail Entitlement Offer and SPP closes	5:00pm Wednesday, 16 September 2020
Announcement of results of Retail Entitlement Offer and SPP	Friday, 18 September 2020
Settlement of New Shares issued under the Retail Entitlement Offer	Tuesday, 22 September 2020
Issue of New Shares under the Retail Entitlement Offer	Wednesday, 23 September 2020
Commencement of trading of New Shares issued under the Retail Entitlement Offer	Thursday, 24 September 2020
Holding statements in respect of New Shares issued under the Retail Entitlement Offer despatched	Thursday, 24 September 2020
Allotment of New Shares under the SPP	Thursday, 24 September 2020
Commencement of trading of New Shares issued under the SPP	Friday, 25 September 2020
Holding statements in respect of New Shares issued under the SPP despatched	Friday, 25 September 2020

The timetable (and each reference in this presentation to a date specified in the timetable) is indicative only and IOOF may, at its discretion, vary any of the above dates by lodging a revised timetable with the ASX. All times referred to in this presentation are Australian Eastern Standard Time (AEST).

IOOF Holdings Ltd (ASX: IFL; OTC: IOOFY) FY20 result overview

FY19 comparison metrics below do not include P&I

- Underlying NPAT (UNPAT) \$128.8 million, down 34.9%
- Statutory net profit after tax (NPAT) \$147.0 million, up 414.6%
- UNPAT from continuing operations \$124.0 million, down 32.3%
- Total funds under management, administration and advice (FUMA) \$202.3 billion compared to \$138.5 billion in FY19
- Successful completion of the P&I business
- Fully franked final dividends of 11.5 cents per share

IOOF Chief Executive Officer, Renato Mota said, “The 2020 financial year has been one of the most challenging and volatile in recent history. In the first half of the financial year Australia experienced serious and prolonged drought conditions; the bush fires in early 2020 caused devastation along the eastern seaboard, and since then, the global COVID-19 pandemic has been causing unprecedented disruption and significant distress to many Australians.

These events have affected the economy, markets and all Australians. There is prevailing concern and uncertainty. This goes to the core of our purpose of serving the community and at IOOF, we have been absolutely focused on welfare of our people, our clients and the community and on delivering the additional support and service they need.

Against this backdrop, IOOF’s performance, including achieving the \$200 billion FUMA milestone, has demonstrated the strength and resilience of IOOF’s business and brand.

IOOF has delivered UNPAT of \$128.8 million, down 34.9% compared to the prior year (which excludes the P&I business). Total FUMA ended the year at \$202.3 billion, which is pleasing given the challenging trading conditions and market volatility.

During FY20, IOOF successfully completed the acquisition of the P&I business, which added significant scale. IOOF remains on track with its integration process, including the delivery of an estimated \$68 million in synergies as communicated previously.”

Payments made under the Early Release of Superannuation scheme from 20 April 2020 to 30 June 2020 totalled \$743 million across 99,174 requests. IOOF’s ClientFirst approach ensured that 97% of all payments were paid to clients within five business days. For P&I, 83% of payments were made within five business days.

As announced previously, the Board and management team recognise that COVID-19 has had an impact on business outcomes and returns to shareholders. In this context, it is appropriate that no discretionary bonuses be paid to the Executive Team for the year to 30 June 2020. In addition, IOOF’s Chairman and CEO will take a 20% reduction in base pay for 6 months from 1 August 2020. All other IOOF Holdings Ltd Directors and our CFO will take a 10% reduction in base pay for the same period.

The Board declared a final second-half dividend of 11.5 cents per share, down 28% from the prior half dividend of 16 cents per share. The total dividend payout ratio for the year is 75%. The Board has assessed the reduction in dividend to be a prudent measure in the current economic environment. Post completion of the MLC acquisition, the Board will reassess the appropriate dividend setting and payout ratio range.

Advice 2.0

IOOF has unveiled the next phase of its Advice 2.0 transformation strategy, including the acquisition of technology platform Wealth Central.

Advice 2.0 is IOOF's long-term strategy to reshape the Australian advice landscape through the delivery of quality, goals-based advice that is accessible and affordable for all Australians.

In support of the transformation IOOF has announced the acquisition of Wealth Central, a proprietary financial advice and client engagement technology platform.

The next-generation digital tool significantly enhances client and adviser experience by streamlining the advice process and increasing the productivity of face-to-face engagement. The tool simplifies the data collection process for clients and financial advisers, as well as providing clients with greater transparency throughout the advice process and the ability to engage with their adviser digitally via an advice dashboard.

Mr Mota commented: "IOOF has been on the journey of reinventing Advice for a number of years now, spearheaded by initiatives such as ClientFirst and the Advice Academy. The journey accelerated with the acquisition of the ANZ businesses which enlarged the scale and economic diversity of IOOF.

Advice 2.0 is our strategic response to both our transformation and that of the financial advice industry and it defines a new era. In this new era, through Advice 2.0 we will deliver a step-change in the quality and affordability of advice and construct a sustainable long-term advice model."

Evolve

The platform segment of IOOF's business has strong organic growth and increasing inflows over recent years. There were \$1.3 billion in net inflows this financial year, and Evolve continued to seeing significant flows.

Mr Mota said, "Evolve is delivering what matters to clients. It is a flexible contemporary platform technology, one of few wholly proprietary platform technologies in the market.

Evolve uniquely integrates the full product suite (workplace super, MySuper and choice, pension, IDPS, Managed Accounts). It is expected to be completed by 2021, the project is currently on time and on budget.

Remediation provisions and Advice liabilities

IOOF's advice remediation provisions for IOOF Advice review remain at \$223 million, including costs. IOOF has made significant progress in relation to the review and during the June 2020 quarter, commenced making remediation payments to clients.

As communicated on 30 July 2020, the total advice remediation provision relating to the ex-ANZ ALs has increased by \$80 million, offset by a corresponding increase in an equivalent receivable from ANZ.

Balance sheet and funding

As reported in the 4Q20 business update, released on 30 July 2020, IOOF's balance sheet remains strong with total debt facilities of \$670 million. At 30 June 2020, IOOF's leverage ratio was 1.3x net debt to pro forma EBITDA.

Post acquisition of MLC, IOOF's total syndicated debt facilities limit will increase by \$250 million to \$920 million, with a pro forma net debt to EBITDA multiple of ~1.0x. The combined business model will have an attractive high cash flow generation profile, with low capital intensity and net working capital requirements. The leverage multiple is expected to decrease over time as IOOF realises the targeted synergy benefits.

Webcast details:

IOOF will present in relation to its 2020 full year financial results and the acquisition of MLC today, Monday 31 August 2020 at 10:30am AEST. The webcast of the results announcement will be available live at: <https://webcast.openbriefing.com/6297/>. If you wish to view the presentation live via the webcast it is recommended that you log in 10 to 15 minutes prior to start time.

-ENDS-

Authorised for release by the Board of IOOF Holdings Ltd.

Enquiries:

Rachel Scully
Head of Corporate Affairs
IOOF Holdings Ltd
P: +61 3 8614 4530
M: +61 438 601 942
E: rachel.scully@ioof.com.au

Media enquiries:

Louise Watson
Managing Director
Symbol Strategic Communications
P: +61 2 8011 0591
M: +61 419 185 674
E: lwatson@symbolstrategic.com.au

About IOOF Holdings Ltd

IOOF has been helping Australians secure their financial future since 1846. During that time, we have grown substantially to become one of the largest groups in the financial services industry.

IOOF provides advisers and their clients with the following services:

- **Financial Advice** services via our extensive network of financial advisers;
- **Portfolio & Estate Administration** for advisers, their clients and hundreds of employers in Australia; and
- **Investment Management** products that are designed to suit any investor's needs.

Further information about IOOF can be found at www.ioof.com.au

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The lead manager and other Limited Parties may have interests in the securities of IOOF. Further, they may act as market maker or buy or sell those securities or associated derivatives as principal or agent. Such persons may receive fees or other benefits for engaging in these activities.

You acknowledge and agree that determination of eligibility of investors for the purposes of the institutional or retail components of the Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of IOOF and the lead manager. You further acknowledge and agree that each of IOOF and the lead manager and each of their respective Limited Parties disclaim any duty or liability (including, without limitation, any liability arising from fault, negligence or negligent misstatement) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law.

The lead manager may rely on information provided by or on behalf of institutional investors in connection with managing, conducting or underwriting the Entitlement Offer and the Placement without having independently verified that information and the lead manager does not assume responsibility for the accuracy or completeness of the information.

FUTURE PERFORMANCE

This announcement contains certain “forward looking statements”. Forward looking statements can generally be identified by the use of forward looking words such as, “expect”, “anticipate”, “likely”, “intend”, “should”, “could”, “may”, “predict”, “plan”, “propose”, “will”, “believe”, “forecast”, “estimate”, “target”, “outlook”, “guidance” and other similar expressions and include, but are not limited to, indications of, or guidance or outlook on, future earnings or financial position or performance of IOOF, the outcome and effects of the Offer, and the use of proceeds from the Offer. The forward looking statements contained in this announcement are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and

other factors, many of which are beyond the control of IOOF, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Neither IOOF, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this announcement will actually occur.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Any such statements, opinions and estimates in this announcement speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only. The forward-looking statements contained in this announcement are not indications, guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of IOOF, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Forward-looking statements may also assume the success of IOOF's business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond IOOF's control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward-looking statements may have been prepared or otherwise. Refer to the key risks set out in the investor presentation for a non-exhaustive summary of certain key business, offer and general risk factors that may affect IOOF.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. Several important factors could cause actual results or performance to differ materially from the forward-looking statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, the Australian and global economic environment and capital market conditions and other risk factors set out in the investor presentation. Other risks may materially affect the future performance of IOOF and the price of IOOF Shares. Additional risks and uncertainties not presently known to management or that management currently believe not to be material may also affect IOOF's business.

No representation, warranty or assurance (express or implied) is given or made in relation to any statement (including any forward-looking statement) by any person (including IOOF or any other party). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur.

Actual operations, results, performance, production targets or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. To the maximum extent permitted by law, IOOF and its Limited Parties disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

Except as required by law or regulation (including the ASX Listing Rules), IOOF undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.