

Liberty Holdings Limited
Registration number 1968/002095/06
Incorporated in the Republic of South Africa
Share code: LBH
ISIN code: ZAE000127148
("Liberty Holdings" or "the Group")

OPERATIONAL UPDATE FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

LIBERTY'S CAPITAL COVER REMAINS STRONG DESPITE INVESTMENT MARKET VOLATILITY

Current business environment

A voluntary announcement was released on SENS on 21 April 2020 updating the market on the impact of volatile market conditions during the quarter ended 31 March 2020.

The COVID-19 pandemic is a health crisis which is impacting humanity globally and as such we remain committed to the wellbeing, health and safety of our employees, clients and financial advisers during these unprecedented times.

Liberty has been open for business, supporting clients and advisers throughout the lockdown period and has embedded work from home capabilities for our staff and advisers by equipping them with digital tools. We have continued to pay clients' claims as they have arisen. There has been significant uptake of the various measures implemented to provide relief to clients, advisers and tenants of our retail shopping malls.

Operational update to 31 March 2020

As was indicated in the voluntary update, we confirm that the Solvency Capital Requirement cover of Liberty Group Limited, the Group's main long-term insurance licence, remained strong at 1,90 times at 31 March 2020. The distressed financial markets have had minimal impact on the Group's capital ratio for the quarter. This strong capital position underpins the Group's ability to fulfil its promises to clients and other stakeholders.

Group total assets under management amounted to R668 billion compared to R738 billion at 31 December 2019, with the decrease largely attributable to negative investment market returns during the quarter and transfers to other external managers in respect of the discontinuation of Kenyan and Ugandan segregated mandates in the STANLIB Africa operations.

South African Insurance Operations

SA Retail

Indexed new business sales of R1 581 million were 4,2% above the comparative period. Recurring premium new business sales increased relative to the comparative period by 3,2% mainly due to good growth in the embedded credit sales offset by weaker recurring investment business sales. Single premium new business sales increased by 6,5%, mainly driven by conventional annuity sales.

Net customer cash outflows amounted to R701 million compared to R252 million in the comparative period, mainly attributable to increased annuity payments, higher death and disability claims and increased outflows in respect of investment policies in the current period.

Focus remains on supporting and enabling financial advisers through digital capabilities to engage and advise clients during these uncertain times.

Liberty Corporate

Liberty Corporate indexed new business of R103 million was below the comparative period of R209 million due to lower recurring new business sales in the current period. Single premium new business of R246 million reflected good growth over the comparative period amount of R173 million. Recurring premium sales amounted to R78 million (31 March 2019: R192 million) reflecting a slower start to the current year. Net cash outflows of R401 million (31 March 2019: outflows of R173 million) mainly reflect higher member withdrawals experienced in line with the South African economic environment.

South African Asset Management

STANLIB South Africa

In the STANLIB South Africa business, assets under management amounted to R521 billion compared to R568 billion at 31 December 2019. This decrease is largely attributable to the net impact of negative investment market returns during the period. Net external third-party client cash inflows of R5,3 billion remained strong (31 March 2019: R7,8 billion) as a result of increased money market inflows from institutional clients in a more risk averse environment.

Africa regions

Liberty Africa Insurance

Indexed new business of R112 million increased by 10,9% over the comparative period, reflecting a shift in mix towards recurring premium business. Net customer cash inflows of R155 million were lower than comparative period inflows of R176 million due to higher claims in the current period.

STANLIB Africa

Discontinued segregated mandates transferred to other external managers of R8,9 billion, as a result of the execution of the sales of the Kenyan and Ugandan businesses, was the main reason for assets under management by STANLIB Africa reducing to R18,3 billion (31 December 2019: R28,4 billion). Net external third-party client cash outflows amounted to R1,3 billion compared to outflows of R0,8 billion in the comparative period.

Operations under ownership review

The finalisation of the sales of the asset management businesses in Kenya and Uganda are progressing positively, however timelines for finalisation are extending due to governments' imposed lockdowns. We remain confident that these sales will be completed by the time of release of our interim results in August 2020. These disposals will not have a material impact on the financial results of the Group.

Activities to deliver suitable outcomes for the Liberty Health business continue but have slowed due to the implications of the various lockdown measures.

Liberty Two Degrees (L2D)

On 16 March 2020, L2D released a voluntary update on SENS dealing with the impact of the COVID-19 pandemic following the declaration of a National State of Disaster in South Africa. A further update was released on SENS on 30 March 2020 following the South African government's announcement of a national lockdown, dealing with the operational impacts of the lockdown and the withdrawal of the 2020 financial year distribution guidance. The L2D annual general meeting will take place on 20 May 2020.

Further details are available on the L2D website.

Outlook

The COVID-19 pandemic has generated an unprecedented health, economic and financial crisis causing high levels of anxiety and uncertainty for our clients, advisers and staff. This crisis is creating significant uncertainty for Liberty's financial performance for the 2020 financial year.

Changes in economic conditions, mortality experience, rental income, investment markets, exchange rates and long-term interest rates are key factors that may have a material impact on the Group's earnings and group equity value for the 30 June 2020 and 31 December 2020 reporting periods. Investment market volatility will continue to have a material impact on the returns from the Shareholder Investment Portfolio consistent with a conservative balanced portfolio managed with a long-term through-the-cycle investment horizon. We also expect increased pressure on new business volumes and margins given the extended lockdown period which commenced in South Africa on 27 March 2020.

Notwithstanding these uncertainties, the Group is expected to remain well capitalised and able to provide a normal service to our clients.

We remain confident in our strategy and committed to its execution. While significant management time and resources have been diverted to dealing with this crisis, the transformation of our business towards a digital, platform based enterprise has been successfully accelerated through the many measures adopted to handle the new ways of working and remote engagement for staff, advisers and clients. The majority of our staff and advisers have continued to work productively during the lockdown and there has been a significant increase in the adoption of digital channels.

We would like to thank all our staff and advisers for their commitment and hard work in these times, and our clients for their continued support.

This operational update for the three-month period ended 31 March 2020 has not been audited or reviewed by the Group's auditors.

Queries:

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Sponsor
Merrill Lynch South Africa (Pty) Limited