

Liberty Holdings Limited  
Registration number 1968/002095/06  
Incorporated in the Republic of South Africa  
Share code: LBH ISIN code: ZAE000127148  
Share Code: LBHP ISIN Code: ZAE000004040  
("Liberty" or "the Group")  
LIBERTY HOLDINGS LIMITED

**ADDITIONAL OPERATIONAL UPDATE AND TRADING STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

**LIBERTY REMAINS WELL CAPITALISED AND FOCUSED ON SERVING ITS CLIENTS IN THESE DIFFICULT TIMES**

**Operational update**

The COVID-19 pandemic is causing high levels of anxiety and uncertainty for our clients, advisers and staff. The world is facing an unprecedented humanitarian crisis, with the virus continuing to spread exponentially across the globe and in South Africa. Government imposed lockdowns have been introduced in all countries in which Liberty operates, resulting in recessionary economic environments in these countries. South Africa has been subject to government imposed lockdown restrictions for over 120 days, with COVID-19 related deaths having increased to over 6 000.

Liberty extends its sincere condolences to members of the greater Liberty Community who have lost family and friends and are struggling with the trauma and stress induced by these extremely difficult times.

Liberty's response to the COVID-19 pandemic was underpinned by our purpose of "Improving people's lives by making their financial freedom possible." The payment of valid claims to clients in their most vulnerable moments of need is a key aspect of Liberty's purpose. Our main objectives in dealing with the crisis are to continue to prioritise the health and safety of our employees and advisers and to ensure we remain open for business providing uninterrupted service and support to our clients.

The majority of our employees and advisers have continued to work from home during the lockdown with a significant increase in the adoption of digital channels.

In light of the significant health, economic and financial uncertainty created by the pandemic and considering the interests of all our stakeholders, Liberty has set aside financial resources to provide certainty and peace of mind to our clients and advisers. In addition, we wish to give comfort to shareholders that we are able to fulfil our purpose in these times while still maintaining a focus on delivering against our longer term strategic goals. The strength of the Liberty balance sheet and its resilient capital position has enabled the establishment of a pandemic reserve of approximately R3 billion (before tax) to make allowance for the expected financial consequences of the COVID-19 pandemic on Liberty's current and

future results. This reserve has been calculated to estimate the future effects of the pandemic by estimating excess mortality, excess withdrawals and policy lapses and expenditure directly attributable to the COVID-19 pandemic. The reserve has been modelled using trends in actual infections from official government statistics and age-based COVID-19 mortality experience as evidenced in published research studies. Further details on the pandemic reserve as well as the impact of the pandemic on Liberty's results will be provided with the release of Liberty's results for the six-month period ended 30 June 2020.

Liberty continues to remain well capitalised, with Liberty Group Limited remaining comfortably within the capital coverage target range of 1,5 - 2,0 times after taking account of the operational and investment market impacts of the pandemic and the establishment of a pandemic reserve, demonstrating the financial strength of the business.

The business experienced worsened mortality in the early months of 2020, a continuation of the trend experienced in the second half of 2019. Persistency (lapses and surrenders) experience has also come under pressure in the first half of 2020. Various premium and adviser relief measures were implemented to assist our retail and corporate clients and advisers experiencing financial hardship during the current period.

Liberty has experienced increased pressure on new business volumes and margins since the start of the lockdown period. Adviser new business activity, in the absence of face-to-face sales, significantly impacted productivity and new business acquisition during March, April and May 2020. Following the relaxation of South African lockdown restrictions to level 3, indexed new business reflected an improvement in the month of June 2020, as compared to April and May 2020. Timely action was taken to put support measures in place to ensure the sustainability of our adviser practices.

In recent months, financial markets have been driven mainly by uncertainty around the spread of COVID-19, measures announced by governments and central banks to support economies and the likely negative economic impact to be felt, and have accordingly been extremely volatile.

Global and local financial markets were heavily impacted during the early weeks of the COVID-19 crisis with significant declines in returns from most asset classes being experienced in the three months to 31 March 2020, however being offset to some extent by weakness in the South African rand. Markets recovered during the second quarter of 2020, benefitting from central banks injecting significant amounts of liquidity into financial systems to counter the economic fallout expected from the pandemic. The impact of this extraordinary financial market volatility is evident in lower investment returns from the Shareholder Investment Portfolio (SIP) and the LibFin Markets asset liability management (ALM) portfolio. The performance of the SIP over the first half of 2020 was largely as would be expected from a diversified balanced portfolio and has remained within defined strategic asset allocation parameters. The ALM portfolio was impacted by heightened

costs incurred in rebalancing the portfolio in respect of investment guarantees and an increase in long-dated implied volatility.

The creation of the pandemic reserve to cover the expected increase in mortality and retrenchment claims together with reduced persistency and increased expenses directly attributable to the COVID-19 pandemic, and the impact of the related global financial market volatility, has resulted in Liberty incurring a normalised headline loss for the six-month period ended 30 June 2020 of between R2 000 million and R2 400 million, with the relevant per share metrics set out below. Liberty remains well capitalised after taking account of these losses.

### **Liberty Two Degrees (L2D)**

On 9 July 2020, L2D released a trading statement on the Stock Exchange News Service (SENS), stating that the board has decided not to pay an interim distribution but will consider the payment of a final distribution for the 2020 financial year that meets the regulatory requirements. Guidance provided on the property portfolio, including the COVID-19 pandemic related impacts, indicated that the portfolio valuation is expected to decline by between 10% and 20% when compared to 31 December 2019. Further details are available on the L2D website.

### **Trading Statement**

Liberty is currently in the process of finalising its results for the six-month period ended 30 June 2020. These results will be released on SENS on 5 August 2020.

We refer shareholders to the Group's trading statement for the six-month period ended 30 June 2020 released on SENS on 29 May 2020.

Liberty's earnings for the six month period to 30 June 2020 were materially impacted by the various factors related to the COVID-19 pandemic and the weakening South African economic environment. The main earnings impacts are outlined in the operational update above.

In terms of paragraph 3.4(b) of the JSE Limited Listings Requirements, shareholders are advised that the Group expects to report a normalised headline loss per ordinary share of between 738,7 cents and 886,4 cents (30 June 2019 normalised headline earnings per ordinary share (NHEPS): 735,8 cents), a headline loss per ordinary share of between 787,2 cents and 944,6 cents (30 June 2019 headline earnings per ordinary share (HEPS): 746,6 cents) and a basic loss per ordinary share of between 830,7 cents and 996,7 cents (30 June 2019 basic earnings per ordinary share (EPS): 699,9 cents) for the six-month period ended 30 June 2020. This represents a decrease of more than 100% in NHEPS, HEPS and EPS compared to the six-month period ended 30 June 2019.

The ranges specified in the previous paragraph take account of the establishment of the pandemic reserve referred to in the operational update above.

The financial information contained in this trading statement for the six-month period ended 30 June 2020 has not been audited or reviewed by the Group's auditors.

### **Conclusion**

Liberty expects to report a normalised headline loss for the first half of 2020, which is mainly due to the establishment of a pandemic reserve of approximately R3 billion (before tax) and other impacts caused by the COVID-19 crisis as detailed above. The pandemic reserve ensures that we have set aside financial resources to meet the needs of our clients in these extreme times. Having taken this action, Liberty remains financially strong and well capitalised, enabled to continue to service its clients and advisers while investing in the achievement of its longer term strategic objectives.

We would like to thank all within the Liberty Community for their continued support, stamina and efforts as this crisis continues to unfold.

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Sponsor:  
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