

Liberty Holdings Limited
 Incorporated in the Republic of South Africa
 (Registration number 1968/002095/06)
 Share code: LBH
 ISIN code: ZAE0000127148
 Share Code: LBHP
 ISIN Code: ZAE000004040
 ("Liberty Holdings" or "Group")

Financial results for the six months ended 30 June 2020 – Short form announcement

Liberty's capital strength ensures ongoing support to our clients in these challenging times

Financial highlights:

Rm (unless otherwise stated)	30 June 2020	30 June 2019	% change
(Loss)/profit before taxation	(4 069)	3 734	(above 100)
Normalised headline (loss)/earnings ⁽¹⁾	(2 173)	2 013	(above 100)
Normalised headline (loss)/earnings per share (cents) ⁽¹⁾	(802,5)	735,8	(above 100)
Headline (loss)/earnings per share (cents) ⁽²⁾	(855,2)	746,6	(above 100)
Basic (loss)/earnings per share (cents)	(902,4)	699,9	(above 100)
Normalised return on IFRS equity (%) ⁽¹⁾	(19,7)	17,7	
Normalised group equity value per share (R) ⁽¹⁾	128,80	143,96	(11)
Normalised return on group equity value (%) ⁽¹⁾	(18,9)	14,0	
Solvency capital requirement cover ratio of Liberty Group Limited (times covered) ⁽³⁾	1,83	1,85	
Embedded value of new business	24	171	(86)
New business margin (%)	0,2	0,9	
Interim dividend	-	276	

(1) Normalised: headline (loss)/earnings, headline (loss)/earnings per share, return on IFRS equity, group equity value per share and return on group equity value. These measures reflect the economic substance of the consolidation of the listed Liberty Two Degrees REIT and the Black Economic Empowerment transaction which differs from the required IFRS accounting treatment.

(2) Headline (loss)/earnings includes adjustments for impairment of intangible assets, the remeasurement of disposal groups classified as held for sale and the profit on sale of subsidiary.

(3) Solvency capital requirement cover is the excess of assets over liabilities required by an insurer to ensure that its assets remain larger than its liabilities with a 99.5% level of certainty over a one-year time horizon, with assets and liabilities valued in accordance with the Insurance Act, 2017.

The COVID-19 pandemic is causing high levels of anxiety and uncertainty for our clients, advisers and staff. The world is facing a significant 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 130 days, with COVID-19 related deaths having increased to over 8 000.

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.

The content of this financial review should be read in conjunction with the operational updates and trading statements issued by the Group on 21 April 2020, 14 and 29 May 2020, and 27 July 2020, all of which sought to keep investors updated as the pandemic unfolded.

The payment of claims to our clients in their most vulnerable moments of need is the foundation of Liberty's purpose of "Improving people's lives by making their financial freedom possible." In continuing to support our clients through their life journeys and fulfilling our promises to them, death and disability payments made by Liberty in the six months to 30 June 2020 increased by 5,1% to R5,3 billion and annuity payments increased by 6,1% to R4,1 billion. Death claims related to the COVID-19 pandemic have been low to date however are starting to increase, mostly within the funeral books in the SA Retail and Liberty Corporate businesses.

We remain committed to continue investing in and utilising new digital capabilities to offer our clients the best service and advice.

On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organisation. These interim results have been prepared with a significant level of uncertainty over the short and long-term impacts that COVID-19 may have on the Group's business. We have applied a key judgement that the majority of the impact will be evident within twelve to eighteen months. Consequently, judgement was applied to determine a reference scenario that could facilitate the estimation of the financial impact to Liberty due to the pandemic over this period. Liberty has established a pandemic reserve of R3 billion (before tax) and we believe our strong capital ratio after absorbing this charge should 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.

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. Management established a reference scenario in order to quantify a best estimate of the likely financial outcome, based on all relevant and reliable external data sources that are currently available, whilst recognising that the range of outcomes is large. This reference scenario was then applied to the measurement

models under the respective requirements of the IFRS, regulatory capital and group equity value frameworks.

Liberty's operations remain financially sound and well capitalised, with Liberty Group Limited remaining towards the upper end of the capital coverage target range of 1,5 - 2,0 times after taking account of the operational and financial market impacts of the pandemic and the establishment of the pandemic reserve, underpinning our ability to fulfil our promises to clients and other stakeholders.

Our South African asset management business, STANLIB South Africa, reported improved earnings for the period as well as increased net external third-party client cash inflows. This reflects the benefits of having diverse sources of income between the insurance and asset management operations within the Group.

Liberty incurred a normalised operating loss for the six-month period to 30 June 2020 of R1 542 million compared to normalised operating earnings of R1 091 million for the six-month period ended 30 June 2019. The normalised operating loss includes the R2 175 million net after tax cost of establishing the COVID-19 pandemic reserve which, if excluded from the result, would reflect normalised operating earnings for the period of R633 million.

The SIP incurred a loss of R631 million for the period.

Accordingly, Liberty is reporting a normalised headline loss for the six-month period ended 30 June 2020 of R2 173 million, compared to normalised headline earnings of R2 013 million in the prior period. Normalised annual return on equity was negative 19,7%, compared to positive 17,7% for the six-month period ended 30 June 2019.

The headline loss for the period of R2 263 million, which includes a negative adjustment of R88 million (30 June 2019: negative R14 million) arising from the accounting mismatch on the consolidation of the Liberty Two Degrees listed REIT, compares to headline earnings of R1 996 million for the six-month period ended 30 June 2019.

Normalised group equity value per share decreased from R143,96 in the comparative period to R128,80. The normalised annual return on group equity value (RoGEV) was negative 18,9% compared to positive 14,0% in the prior period. The negative RoGEV is largely attributable to the operational impacts of COVID-19, which includes the impact of the establishment of the pandemic reserve, and the impact of negative investment returns on the SIP earnings.

Group long-term insurance indexed new business of R3 430 million has been significantly impacted by the lockdown restrictions and is 10.7% below the comparative period of R3 840 million. Adviser productivity, in the absence of face-to-face sales, was significantly impacted during the initial lock down period. Following the relaxation of South African lockdown restrictions to level 3, indexed new business has reflected an encouraging improvement in the

month of June 2020, as compared to April and May 2020, but remains at depressed levels compared to the comparative period.

The group value of new business (VoNB) declined to R24 million from R171 million at 30 June 2019. This decline is mainly attributable to the decrease in the SA Retail VoNB from R134 million in the comparative period to R30 million, due largely to significantly lower sales volumes in the first half of 2020 without a commensurate reduction in acquisition expenses.

Group net external third-party client cash inflows increased to R14,3 billion from R10,6 billion in the comparative period, supported mainly by robust STANLIB South Africa net external third-party client cash inflows. Total group assets under management declined to R725 billion (31 December 2019: R738 billion) due mainly to the exit of asset management operations in STANLIB Kenya and Uganda and the associated transfers of mandates to other external managers of R10,0 billion.

The Solvency Capital Requirement (SCR) cover ratio of Liberty Group Limited, the Group's main long-term insurance licence, of 1,83 times at 30 June 2020 is at the upper end of the target range (31 December 2019: 1,99 times). The 30 June 2020 SCR cover takes account of the establishment of the pandemic reserve and underpins our ability to fulfil our promises to policyholders and other stakeholders.

All other Group subsidiary life licences were adequately capitalised.

Dividends

Despite the Group's strong capital position, the significant uncertainty that currently exists regarding the spread of the COVID-19 virus in South Africa in the short term and its economic consequences resulted in the Board deciding not to declare an interim dividend in respect of the six-month period ended 30 June 2020.

Prospects

The COVID-19 pandemic has generated a significant health, economic and financial crisis causing high levels of anxiety and uncertainty for our clients, advisers and staff. The strength of the Liberty balance sheet and its resilient capital position made it possible to establish a pandemic reserve.

Financial market volatility will continue to have a material impact on the returns from the Shareholder Investment Portfolio consistent with a balanced portfolio, managed with a long-term through-the-cycle investment horizon. We also expect continued pressure on new business volumes and margins given the extended lockdown period and the financial distress that is prevalent in South Africa.

Notwithstanding these uncertainties, the Group is expected to remain well capitalised and able to provide uninterrupted 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 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.

Liberty is committed to working with all stakeholders in South Africa and the other countries in which we operate to rebuild these economies once this pandemic has passed.

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

Short form statement

This short form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement accessible from Wednesday, 5 August 2020, via the JSE link at <https://senspdf.jse.co.za/documents/2020/jse/isse/LBH/HY20RESULT.pdf> and also available on the Company's website at <https://www.libertyholdings.co.za/investor/Pages/Results-and-Reports.aspx>.

Copies of the full announcement may also be requested by contacting Investor Relations by email at sharon.steyn@liberty.co.za and are available for inspection by appointment and observing the necessary COVID-19 restrictions, at the Company's registered office at no charge, weekdays during office hours.

5 August 2020

Sponsor:
Merrill Lynch South Africa (Pty) Limited