

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")  
LIBERTY HOLDINGS LIMITED

## **OPERATIONAL UPDATE FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020**

### **Current business environment**

While the relaxation of lockdown measures and the latest move to Alert Level 1 in South Africa from 21 September 2020 have gradually improved our ability to engage with clients and financial advisers who support our clients, the South African economic environment continues to be extremely challenging. This operational update focuses on the operational impacts of the COVID-19 pandemic as well as the financial metrics traditionally covered in the third quarter operational update.

We remain committed to the safety and support of all within the Liberty community during this difficult time. Overall client servicing levels and volumes have progressively improved over the lockdown period as evidenced by improved client satisfaction scores relative to the comparative period. Despite increased claim volumes, we have kept our promises to clients by paying their claims as they have arisen in a timely manner. There has been significant uptake of the various measures implemented to provide relief to clients, advisers and tenants of our retail shopping malls and commercial properties. Premium relief measures provided to clients by the South African Insurance Operations in the period amounted to over R700 million, with relief measures for investment and retirement annuity business having been extended to February 2021.

Liberty's results for the six-month period to 30 June 2020 included the establishment of a pandemic reserve of R3 billion (before tax). Actual death rates experienced by Liberty to 30 September 2020 have broadly tracked the death rates projected in the reference scenario adopted for the establishment of this pandemic reserve. Accordingly, the pandemic reserve is considered adequate at this stage however significant uncertainty remains. The reserve will be assessed again at 31 December 2020 taking account of further developments relating to the pandemic and Liberty's experience to 31 December 2020.

### **Operational update to 30 September 2020**

Liberty's operations remain financially sound and well capitalised. The Solvency Capital Requirement (SCR) cover ratio of Liberty Group Limited, the Group's main long-term insurance licence, remained strong at 1,91 times at 30 September 2020 compared to 1,83 times at 30 June 2020. The improvement in the SCR ratio was partly attributable to the successful R1,5 billion unsecured subordinated note issuance on 9 September 2020, which forms part of Liberty's domestic medium term note programme. The issuance was oversubscribed and took place subsequent to a scheduled R1,0 billion Liberty Group Limited note redemption on 14 August 2020. The SCR ratio remains at the upper end of the Group's target range and underpins our ability to fulfil our promises to clients and other stakeholders.

Group net external third-party client cash inflows amounted to R15,6 billion compared to R16,8 billion for the nine months to 30 September 2019. Group total assets under management amounted to R732 billion compared to R738 billion at 31 December 2019.

The COVID-19 pandemic has had a material impact on the economies where we operate and the financial well-being of clients, as reflected in group long-term insurance indexed new business sales having decreased by 12,7% relative to the comparative period.

## **South African Insurance Operations**

### **SA Retail**

Indexed new business sales of R4 626 million were 3,7% below the comparative period as a result of new business productivity being severely hampered by the nationwide lockdown, in particular during the second quarter of 2020. Indexed new business sales for the third quarter of 2020 were flat in comparison to the third quarter of 2019, however reflected a 6,3% increase over sales for the first quarter of 2020 and a 23,1% increase over sales for the second quarter of 2020. Recurring premium new business sales for the nine months to 30 September 2020 were 2,8% below the comparative period, with lower recurring risk and investment business sales partly offset by strong growth in the embedded credit channel. Single premium new business sales decreased by 5,6% for the nine months to 30 September 2020. Conventional annuity new business however continued to increase significantly relative to the comparative period. The consequential impact of lower new business sales volumes in relation to costs incurred on the value of new business written remains one of the main concerns in the business, with various management actions underway to address the impact that COVID-19 has had on new business productivity.

Net customer cash outflows amounted to R1 367 million compared to R392 million in the comparative period, reflecting the impact of lower premium income, including premium relief measures taken up by clients, as well as higher annuity payments and death and disability claims.

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

### **Liberty Corporate**

Indexed new business sales of R360 million were below the comparative period of R789 million with lower recurring and single premium new business sales in the current period. Recurring premium sales of R306 million (30 September 2019: R716 million) reflected lower risk and investment sales. Single premium new business amounted to R535 million (30 September 2019: R728 million). There have been limited opportunities for enhancement sales with clients focused on reducing contributions through utilisation of premium relief options. Net cash outflows of R2 653 million (30 September 2019: outflows of R980 million) reflected lower recurring premiums due to the impact of premium relief options being exercised by clients, continued high volumes of group life assurance death claims and high levels of member withdrawals and retirement claims experienced in line with the subdued South African economic environment.

## **South African Asset Management**

### **STANLIB South Africa**

In the STANLIB South Africa business, assets under management amounted to R577 billion compared to R568 billion at 31 December 2019. This increase is largely attributable to the net impact of good third party net cash inflows partly offset by net intragroup outflows and negative investment market returns during the period. Net external third-party client cash inflows of R21,1 billion remained strong (30 September 2019: R20,5 billion) supported by increased money market inflows from institutional clients in a more risk averse environment.

## **Africa regions**

### **Liberty Africa Insurance**

Indexed new business of R208 million (30 September 2019: R355 million) was negatively impacted by the various national lockdown measures introduced in each of the territories in which the Group

operates. Net customer cash inflows of R411 million were lower than comparative period inflows of R477 million mainly due to higher claims reported in the Kenya life business in the current period.

## STANLIB Africa

Assets under management by STANLIB Africa reduced to R17,1 billion (31 December 2019: R28,4 billion) mainly as a result of discontinued segregated mandates of R7,0 billion being transferred to other external managers, due to the completion of the sale of the Kenyan and Ugandan businesses in June 2020. Net external third-party client cash outflows amounted to R2,4 billion compared to outflows of R2,6 billion in the comparative period.

## Operations under ownership review

The sale of the South African health administration business was completed during the period. Efforts continue to find a suitable outcome for the remaining operations under ownership review.

## Outlook

The strength of the Liberty balance sheet and its healthy capital position made it possible to establish a pandemic reserve, which was comprehensively reported on in Liberty's results for the six-month period ended 30 June 2020. The Group's capital position remains strong and the pandemic reserve is considered adequate at 30 September 2020.

Financial market volatility will continue to have a material impact on the returns from the Shareholder Investment Portfolio (SIP) consistent with a balanced portfolio managed with a long-term through-the-cycle investment horizon. Property exposure concentration has not increased materially in the SIP relative to the exposure reported at 30 June 2020.

We expect continued pressure on new business volumes and margins given the financial distress that is prevalent in South Africa.

We remain confident in our strategy and committed to its execution. While significant management time and resources have been diverted to dealing with the crisis created by the COVID-19 pandemic, 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.

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.

This operational update for the nine-month period ended 30 September 2020 has not been audited or reviewed by the Group's auditors.

Queries:

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Sponsor  
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