



**LIBERTY**



# **Liberty Holdings Limited**

**Financial results presentation  
for the year ended 31 December**

# **2019**

**ADVICE INSURE INVEST HEALTH**

Liberty - an Authorised Financial Service Provider in terms of the FAIS Act (Licence No. 2409).





## Liberty Holdings Limited

Financial results presentation for the year ended 31 December 2019

**ADVICE INSURE INVEST**

Liberty Holdings Limited - Reg. No. 1968/002095/06 is an Authorised Financial Service Provider (no 2409)



## A tribute to our founder Sir Donald Gordon

David Munro, Chief Executive

## NOTES

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## A legacy etched in substantial contributions made to society



**I WILL** REMEMBER THE HUMANITY IN WHAT WE DO

**I WILL** HELP PEOPLE LEAVE A LEGACY FOR THEIR FAMILIES

**I WILL** MAKE LIBERTY NOT JUST OUR NAME, BUT WHAT WE DO

*Liberty's founding principles, since 1956.  
Established by Sir Donald Gordon*

Liberty's purpose: Improving people's lives by making their financial freedom possible

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## Progress made in 2019

David Munro, Chief Executive

## NOTES

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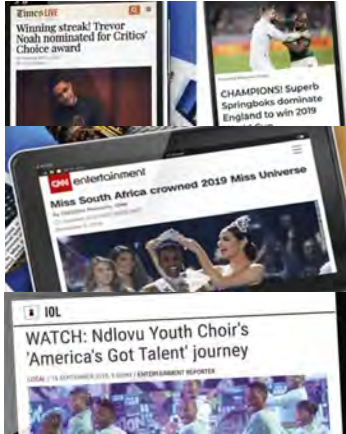
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## South Africa has potential but is facing challenges...

### Moments of hope in 2019






### Challenges

- South Africa's economy continues to face headwinds
- Consistent and increasing net outflows in industry due to economy
- Rising geopolitical tensions impact other African territories
- Global trends in technology, significantly changing client expectations for service platforms
- Changing competitor landscape rapidly setting the pace of change

## Delivered successful outcomes on key strategic focus areas

### Strategic focus areas

	<b>Client and Adviser experience</b>	Deliver an exceptional client and financial adviser experience
	<b>Digitisation</b>	Through digital platforms
	<b>Universal financial services organisation</b>	Integral part of the Standard Bank Group

### Guiding and measuring balanced execution of our strategy



## NOTES

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## Fulfilled client promises delivers financial certainty



✓ R10.5bn in Retail and Institutional death and disability claims paid to help families meet their financial responsibilities



✓ R7.8bn annuity payments in support of our retired clients



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## Client experiences to foster life-long relationships with Liberty



- ✓ Several enhancements to product offerings
- ✓ Awarded Best Life and Risk and Employee Benefits category winners by the FIA Intermediary Experience Awards
- ✓ Simplified processes supported by numerous robotic automation solutions
- ✓ Digitised and streamlined client processes
- ✓ Improved stability and resilience of our technology platforms



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## NOTES

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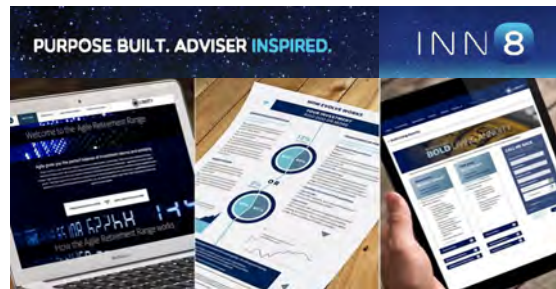
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## Advisers empowered for more meaningful human interactions



- ✓ Focused on adviser productivity with smart enablement and competitive products
- ✓ Partnered with Big Tech and Cloud based solutions, to radically improve our connection to clients, people and advisers
- ✓ Delivered INN8 - a wealth management proposition inspired by global investment trends
- ✓ Completed channel re-structure for IFA and SBFC channels



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## Strengthened businesses



### STANLIB



- ✓ Maintained longer term investment performance
- ✓ Launched 1invest, a simple, transparent and cost-effective passive investment product
- ✓ Continued fund rationalisation efforts
- ✓ Improved stability and resilience of the technology platforms
- ✓ Continued stringent cost focus

56% Liberty owned, predominantly precinct and retail-focused South African REIT

#### 2019 Financial highlights\*

- ✓ Good trading density growth and low retail vacancies
- ✓ Strengthened leadership
- ✓ Successfully refinanced 2019 debt expiry
- ✓ 60.43 cps delivered within guidance
- ✓ Various sustainability initiatives delivered

\* Source: Company results

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## NOTES

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## Enhanced partner relationship



### Standard Bank

- ✓ A valuable commercial relationship
- ✓ Direct Life Insurance continues to perform well
- ✓ New and enhanced offerings through collaboration
- ✓ Collaborated on 1invest, specialist index tracker fund at STANLIB



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## Create an employee experience to build the Liberty community



- ✓ Operating model successfully embedded and new ways of working initiated
- ✓ Completed employee experience framework to influence culture shifts
- ✓ Adopted modern digital technologies;
  - ✓ meaningful collaboration and communication
  - ✓ faster execution and reduced complexity

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## NOTES

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## Manage our business in a safe, secure and profitable manner



- ✓ Robust capital and managed within risk appetite
- ✓ Completed Risk & Control Enhancement Programme
- ✓ Successful adoption of cloud solutions to reduce long-term costs of IT for quick deployment of infrastructure
- ✓ Invested in cyber security and data protection with strong support from Standard Bank received

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## Ensure prosperity and wellbeing of the societies in which we operate



- ✓ Continue unclaimed benefits and fund rehabilitation
- ✓ Human touch engagements are part of our business model
- ✓ Enable financial inclusion through financial literacy
- ✓ Reducing our impact on the environment and protect valuable resources
- ✓ Invest in renewable energy and bulk infrastructure projects

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## NOTES

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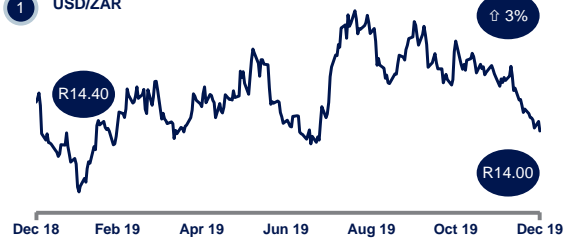
## Financial outcomes for the year ended 31 December 2019

Yuresh Maharaj, Group Financial Director

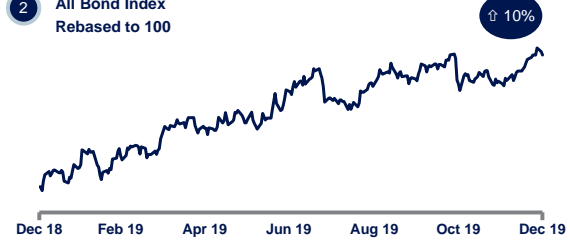
## South African market data



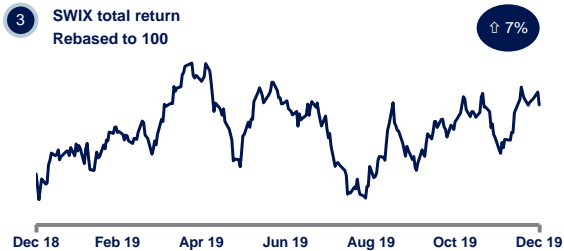
1 USD/ZAR



2 All Bond Index  
Rebased to 100



3 SWIX total return  
Rebased to 100



4 Consumer services index  
Rebased to 100



## NOTES

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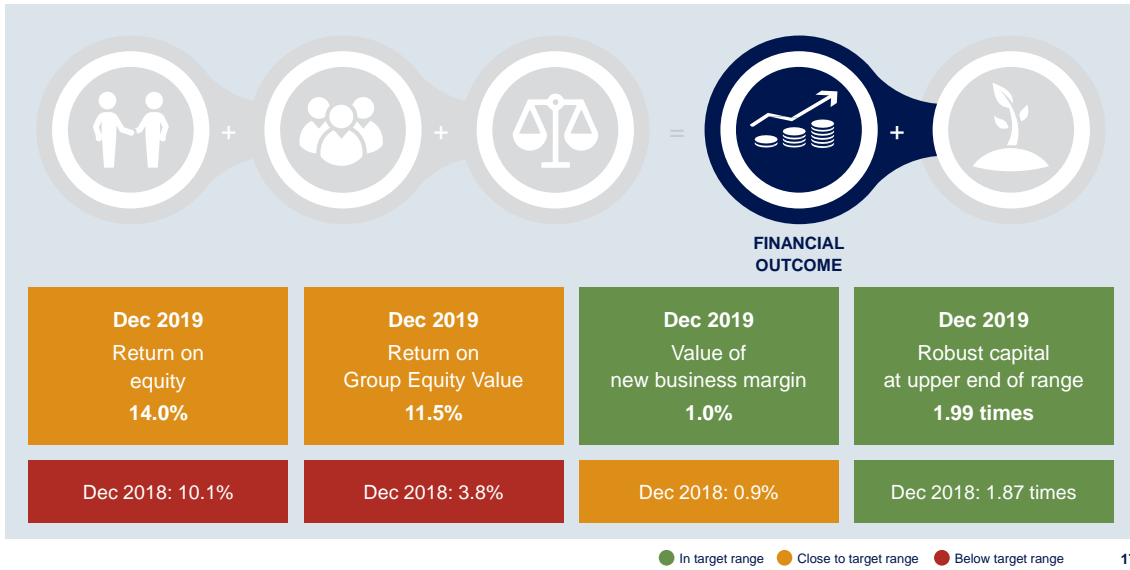


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## Progress on medium-term financial outcomes



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## Return on equity and normalised headline earnings



	Dec 19	Dec 18*	% Δ
<b>Return on equity</b> 14.0% Dec 2018: 10.1%			
<ul style="list-style-type: none"> <li>Improvement in STANLIB SA and Africa regions</li> <li>Continued cost discipline</li> <li>Good investment market returns</li> </ul>			
<b>15 - 18% target range</b>			
<b>Normalised headline earnings Rm</b>			
<b>South African Insurance Operations</b>	<b>1 986</b>	<b>1 954</b>	<b>2</b>
SA Retail	1 505	1 544	(3)
Liberty Corporate	85	34	>100
LibFin Markets	396	376	5
<b>STANLIB South Africa</b>	<b>460</b>	<b>355</b>	<b>30</b>
<b>Africa regions</b>	<b>54</b>	<b>8</b>	<b>&gt;100</b>
<b>Operations under ownership review</b>	<b>(147)</b>	<b>(166)</b>	<b>11</b>
<b>Central costs and sundry income</b>	<b>(152)</b>	<b>(145)</b>	<b>(5)</b>
<b>Normalised operating earnings</b>	<b>2 201</b>	<b>2 006</b>	<b>10</b>
Shareholder Investment Portfolio	1 004	250	>100
<b>Normalised headline earnings</b>	<b>3 205</b>	<b>2 256</b>	<b>42</b>

\* 2018 comparative adjusted for expense reallocation from Liberty holding company to SA Retail and Liberty Corporate

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## NOTES

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**2019 Key indicators**

- Headline earnings R460 million ↑ 30%
- AUM R568 billion ↑ 7%
- Net fee income R1.7 billion ↑ 5%
- Cost-to-income ratio improves to 66% ↓

**Net client cash flows (Rm)**

	Dec 19	Dec 18	% Δ
<b>Retail and Institutional</b>	<b>15 190</b>	<b>16 149</b>	<b>(6)</b>
Non-money market	15 936	9 155	74
Money market	(746)	6 994	(>100)

**Core retail funds - quartile performance**

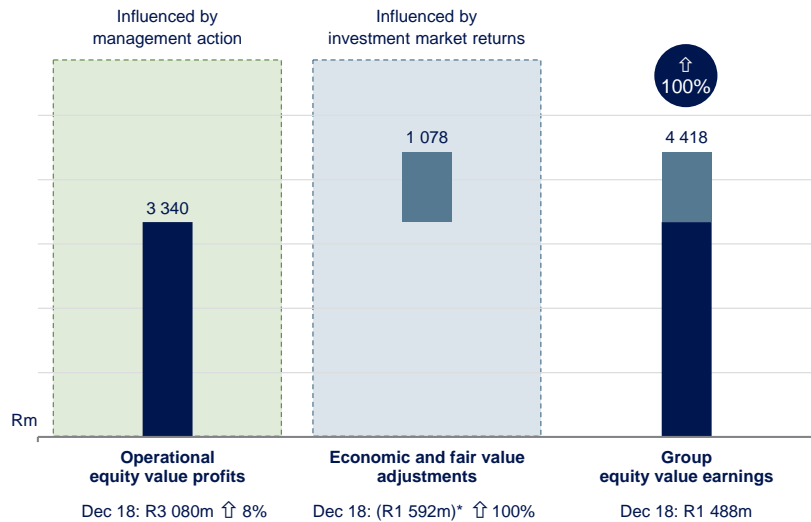
Fund name	2019		2018		2017	
	1 year	3 year	1 year	3 year	1 year	3 year
STANLIB Equity	2	2	1	3	2	3
STANLIB Balanced	2	2	1	3	3	4
STANLIB Income	2	1	1	1	2	1

Sources of normalised group equity value earnings

**Return on Group Equity Value 11.5%**  
Dec 2018: 3.8%

- Improved STANLIB SA earnings
- Good investment market returns
- Positive economic assumptions and VoNB

**RoGEV >12%**



\* Numbers displayed in brackets reflect a loss

NOTES



## Focus on driving new business continues



Insurance operations	Dec 19	Dec 18	% Δ
<b>Embedded value of new business (Rm)</b>	<b>407</b>	<b>371</b>	<b>10</b>
SA Retail	290	271	7
Liberty Corporate	68	73	(7)
Liberty Africa Insurance	49	27	81
<b>New business margin (%)</b>	<b>1.0</b>	<b>0.9</b>	
SA Retail	0.9	0.8	
Liberty Corporate	0.9	0.8	
Liberty Africa Insurance	4.0	2.8	
<b>Total insurance indexed new business (Rm)</b>	<b>8 125</b>	<b>7 991</b>	<b>2</b>
SA Retail	6 558	6 495	1
Liberty Corporate*	1 124	1 132	(1)
Liberty Africa Insurance	443	364	22

\* 2018 comparative includes the reclassification of additional voluntary contributions on investment business from recurring to single premium new business

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## Robust capital position



Liberty Group Limited - Rm (unless stated otherwise)	Dec 19	Dec 18
<b>Regulatory capital</b>		
Available solvency capital	33 255	32 586
Solvency Capital Requirement	(16 746)	(17 400)
<b>Surplus above solvency requirement</b>	<b>16 509</b>	<b>15 186</b>
<b>Capital ratio at year end (times covered)</b>	<b>1.99</b>	<b>1.87</b>

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## NOTES

## Focus remains on delivery of medium-term outcomes



Dec 2019 Return on equity <b>14.0%</b>	Dec 2019 Return on Group Equity Value <b>11.5%</b>	Dec 2019 Value of new business margin <b>1.0%</b>	Dec 2019 Robust capital at upper end of range <b>1.99 times</b>
Dec 2018: 10.1%	Dec 2018: 3.8%	Dec 2018: 0.9%	Dec 2018: 1.87 times
Dec 2017: 12.3%	Dec 2017: 1.1%	Dec 2017: 0.5%	Dec 2017: n/a
15 - 18% target range	RoGEV >12%	1% - 1.5% target range	1.5 - 2.0x target range

● In target range ● Close to target range ● Below target range

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### Invest and position for future value

David Munro, Chief Executive

## NOTES

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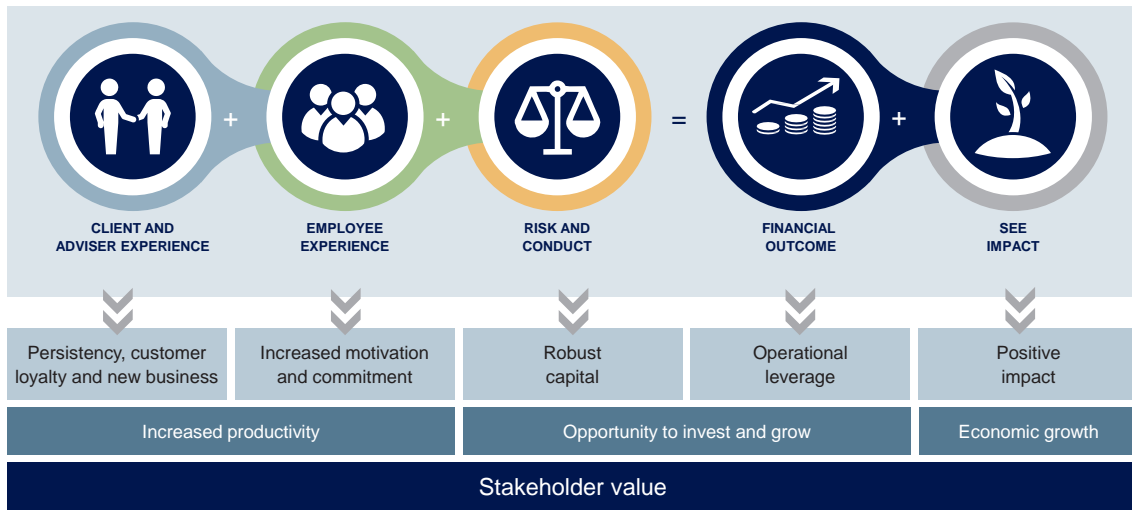


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## An evolved business to deliver a compelling investment



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## In closing



### Our view of the future

- People are living longer...



...and demand integrated cross category services

### Liberty of the future

- Augment the power of human to human engagement
- Scalable digital engagement platform
- Supported by global technology partners
- Driven by
  - Data
  - Artificial intelligence
  - Machine learning
  - Other modern digital technologies

Building for the future to retain that human focus, helping people lead better lives

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## NOTES

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## Questions

## NOTES

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