



Liberty Holdings Limited

Financial results presentation for the six months ended **30 June 2020**





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for the six months ended
30 June 2020

Liberty Holdings
5 August 2020

Liberty Holdings Limited is an Authorised Financial Service Provider (no. 2409)



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David Munro, Chief Executive
Introduction

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Notes

The crisis facing the world, is an unprecedented event



A global crisis

- > Millions infected by COVID-19 and thousands succumbed to the disease
- > Acknowledge the devastating social and economic effects on the most vulnerable in our society
- > Work together to deal with humanitarian challenges
- > Demonstrate the strength of our humanity in what we do for our clients
- > Our deepest sympathies to those who have lost loved ones



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Liberty's strategic response



2020 started with the South African economy already facing headwinds

- Economic recession
- Weak economic outlook
- Volatile global economic conditions buffeted by significant events

The COVID-19 global crisis emerged, creating

- Health, economic and financial challenges

Liberty's response underpinned by our purpose - improving people's lives by making their financial freedom possible

- ✓ Health and safety of our employees
- ✓ Remain open for business
- ✓ Support our clients and advisers
- ✓ Safeguard Liberty through prudent business practices
- ✓ Support government efforts to curb the spread

Pandemic reserve to provide for financial resources anticipated, purposefully set aside

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Notes

Liberty's operations were impacted, but resilience is evident



Negative impact on normal operations;

- Pandemic reserve
- Investment returns on the insurance book and ALM positions
- Unbudgeted expenses including advisor relief
- Lower advisor productivity increased pressure on new business volumes and margins

The Retail business displayed resilience;

- Collection rates in line with 2019



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Despite the impact, we remain committed to our client promise



Liberty remains well capitalised and financially strong, that enables continued support of the business to meet our client needs;

- ✓ Total death and disability claims paid R 5.3bn, a 5% increase on the first half of 2019
- ✓ Total annuity payments were R4.1bn, a 6% increase on the corresponding period



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Notes



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Liberty's response to the pandemic

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Our response required decisive action to protect the business



Notes

The safety of our employees is critical for business continuity



EMPLOYEE EXPERIENCE

- ✓ Immediate transition of 5 000 non-essential staff from office environment to home office environment within 2 weeks, 100 essential staff in the building
- ✓ Efficient IT support to enable multiple functions
- ✓ Elevated Employee Wellbeing with the emphasis on emotional and physical wellbeing support
- ✓ Swiftly moved the organisation to fulfil its digital transformation ambitions



WORKING@HOME

Conquering COVID-19
New ways of working



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Maintain our ability to continue serving our clients



CLIENT EXPERIENCE

- ✓ Relief measures provided across the group
- ✓ Refreshed and introduced flexible payment terms and premium relief measures on risk and endowment products
- ✓ Developed an interim underwriting model, enabled through tele-assessments
- ✓ Successful retention initiatives - following best advice
- ✓ Liberty Corporate introduced options to reduce financial stress on employers and employees



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Notes

Advisers empowered for virtual interactions



ADVISER EXPERIENCE

- ✓ Digital enablement to ensure uninterrupted service capability with a significant increase in the adoption of digital channels
- ✓ Bolstered the tele-underwriting capability, with clear guidelines in place to enable new business
- ✓ Good adviser retention following the introduction of a scheme to provide financial assistance for qualifying advisers
- ✓ The Salesforce Adviser Workbench proof of concept continued to be deployed, with the opportunity to rapidly expand this capability

PURPOSE BUILT. ADVISER INSPIRED.



Other businesses, weathered the storm



CLIENT AND ADVISER EXPERIENCE

STANLIB

- ✓ Maintained investment performance
- ✓ Remained resilient with good asset retention
- ✓ Higher fee income due primarily to strong cash inflows and favourable investment market performance
- ✓ Continued stringent cost focus

LIBERTY two°degrees

- ✓ 58% Liberty owned, predominantly precinct and retail-focused SA REIT
- ✓ Key financial highlights
 - Strong balance sheet and liquidity
 - Interim distribution deferred
 - Rental relief and ongoing tenant support

Notes

A valuable commercial relationship with our bank partner



CLIENT AND
ADVISER EXPERIENCE



Standard Bank

- ✓ Continued good indexed premium contribution from the credit life business
- ✓ Improved claims process
- ✓ Constant monitoring of trends relating to death, disability and dread disease claims in the credit life book
- ✓ Direct Life Insurance continues to perform well

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Continue to prudently manage our business in a secure manner



RISK AND
CONDUCT

- ✓ Capital position remains strong following market impacts and pandemic reserve
- ✓ Multiple stress testing scenarios to preserve liquidity and capital
- ✓ Design of the SIP benefits capital coverage
- ✓ Remain open for new business

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Notes

Leveraged expertise, financial resources and networks in support of communities



SEE
IMPACT

- ✓ Continued dealing with the Unclaimed Benefits issue in the pension fund industry
- ✓ #DriveHope initiative
- ✓ Supported multiple initiatives relating to the pandemic
- ✓ Assistance provided to SMME vendor and suppliers



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Yuresh Maharaj, Group Financial Director

Liberty's financial performance for the period

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Notes

Volatility in financial markets over the period



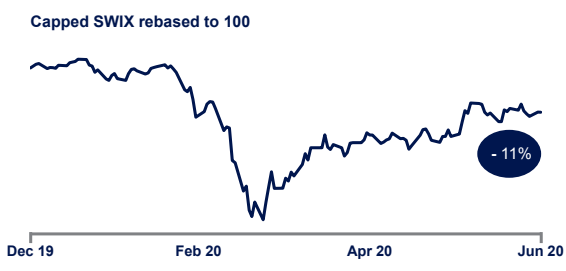
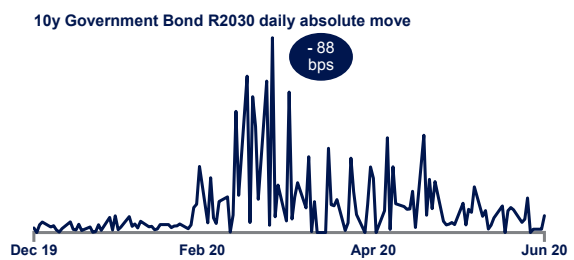
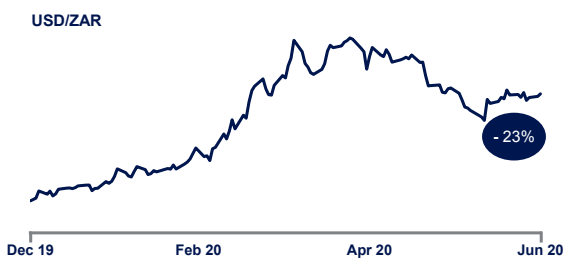
A summary of key events during the period

- > South Africa started 2020 already in recession
- > Global financial markets driven mainly by uncertainty around the spread of COVID-19
- > Government and central bank support of economies across the globe
- > Some market recovery observed in 2Q20
- > Potential negative economic impacts still causing uncertainty



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Financial market impacts of the pandemic



- > Adverse equity and interest rate market movements impacted the insurance book, the asset liability management portfolio and the Shareholder Investment Portfolio

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Notes

Operational impacts of lockdown restrictions and action taken



We remained open for business and adapted our operational practices accordingly

- ✓ Premium relief measures implemented to assist individual and corporate clients
- ✓ Unplanned COVID-19 related expenditure to enable uninterrupted services to clients:
 - ✓ Ensure safety of employees and enable work from home
 - ✓ Provide adviser support and increased adoption of digital channels
- ✓ Established a pandemic reserve
- ✓ Significantly lower new business volumes and value of new business

Liberty remains financially strong after taking account of financial market and operational impacts of the pandemic and establishment of a pandemic reserve

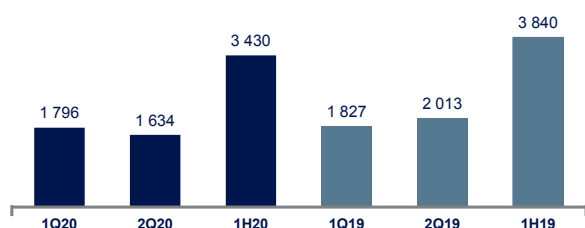
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Group value of new business and indexed new business



Insurance operations (Rm)	Jun 20	Jun 19	% Δ
Embedded value of new business	24	171	(86)
Total insurance indexed new business	3 430	3 840	(11)
SA Retail	2 946	3 130	(6)
Liberty Corporate	289	482	(40)
Liberty Africa Insurance	195	228	(14)

Insurance indexed new business Rm



> Lockdown negatively impacted indexed premiums - 2Q20 9% below 1Q20

> Premium collection rates remained in line with 2019

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Notes

Normalised headline earnings contribution by business unit



Earnings by business operations (Rm)	Jun 20	Jun 19	% Δ
South African Insurance Operations	557	1 012	(45)
SA Retail	458	782	(41)
Liberty Corporate	41	39	5
LibFin Markets - Credit portfolio	132	142	(7)
LibFin Markets - ALM and structuring portfolio	(74)	49	(>100)
STANLIB South Africa	226	209	8
Africa regions	37	31	19
Operations under ownership review	(67)	(64)	(5)
Central costs and sundry income	(120)	(97)	(24)
Normalised operating earnings excluding pandemic reserve	633	1 091	(42)
COVID-19 pandemic reserve	(2 175)	-	-
Normalised operating (loss) / earnings	(1 542)	1 091	(>100)
Shareholder Investment Portfolio	(631)	922	(>100)
Normalised headline (loss) / earnings	(2 173)	2 013	(>100)

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Establishment of the pandemic reserve



Detail per business unit (Rm)	Jun 20
COVID-19 pandemic reserve (net of tax)	(2 175)
SA Retail	(1 944)
Liberty Corporate	(216)
Africa regions	(15)

-  Covers expected impact of the pandemic on insurance businesses in South Africa and other African territories
-  Established a reference scenario to quantify best estimate of likely financial outcome, based on all relevant and reliable external data sources currently available
-  Estimates future impact of excess mortality, excess withdrawals and policy lapses
-  Modelled using trends in actual infections from official government statistics and age-based COVID-19 mortality experience in published research studies

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Notes

Group equity value earnings



Sources of normalised group equity value earnings (Rm)	Jun 20	Jun 19	% Δ
Operational equity value profits before pandemic reserve	704	1 470	(52)
COVID-19 pandemic reserve	(3 003)	-	-
Operational equity value (loss) / profit after pandemic reserve	(2 299)	1 470	(>100)
Economic adjustments	(1 739)	1 257	(>100)
Change in fair value adjustments*	(5)	(118)	96
Group equity value (loss) / profit	(4 043)	2 609	(>100)

- Significantly lower value of new business
- Pandemic reserve to provide for financial certainty
- Pandemic impacting all demographic persistency
- Negative investment returns from SIP

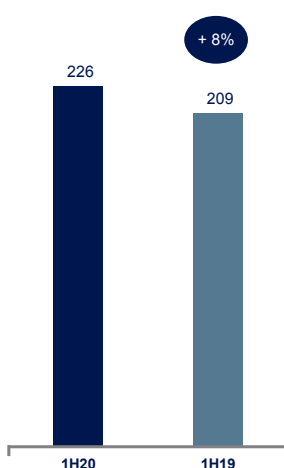
* Includes change in allowance for share rights of positive R54 million (30 June 2019: positive R22 million)

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STANLIB South Africa



Headlines earnings



Net client cash flows (Rm)

	Jun 20	Jun 19	% Δ
Retail and Institutional	14 695	13 250	11
Non-money market	3 384	9 751	(65)
Money market	11 311	3 499	>100

Core retail funds - quartile performance

Fund name	1H20		1H19		1H18	
	1 year	3 year	1 year	3 year	1 year	3 year
STANLIB Equity	1	1	2	2	2	2
STANLIB Bond	1	1	3	1	1	1

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Notes

Capital strength remains a priority



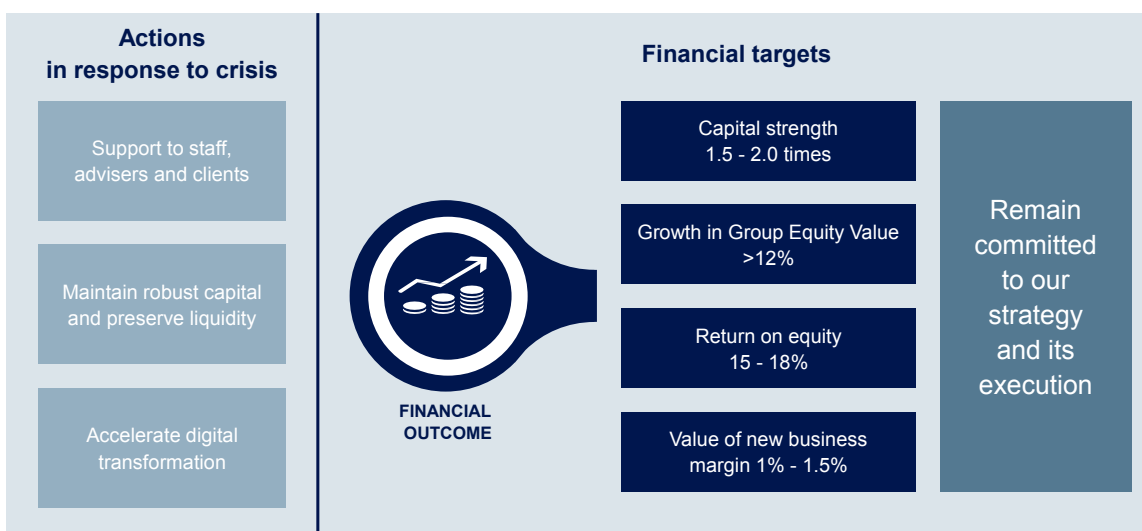
Liberty Group Limited - Rm (unless stated otherwise)

	Jun 20	Dec 19
Regulatory capital		
Available Solvency Capital	28 415	33 255
Solvency Capital Requirement	(15 568)	(16 746)
Surplus above solvency requirement	12 847	16 509
Capital ratio at period end (times covered)	1.83	1.99

- > Strong capital position after impacts and establishment of pandemic reserve
- > Resilient balance sheet and affirmed credit rating
- > Demonstrates financial strength of the business and underpins ability to meet obligations to clients
- > No interim dividend declared due to significant uncertainty relating to spread of COVID-19

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Still committed to medium-term financial outcomes



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Notes



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Position for the future

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In conclusion



Uncertainty remains

- An extraordinary time - pandemic reserve, which reflects our determination to ensure sufficient financial resources are reserved to support our existing promises to clients
- Recognise and acknowledge the contribution of every Liberty employee and thank everyone
- Facing an uncertain and evolving COVID-19 situation, with economic stress expected to continue and its ultimate impact on Liberty remains uncertain

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Notes

Continue investing for the future



We have continued to mobilise and deploy our strategy

- To develop Liberty into a platform-based business, augmenting the value of human engagement through digital tools
- Scalable digital engagement platform built on Salesforce, currently successfully utilised in the business
- Experienced early success in our Cloud journey
- Partnership with SBG remains a competitive advantage as we leverage learnings through third-party partnerships to create scale
- Remain committed to deliver strategic initiatives and build a competitive business for the future, whilst ensuring the wellbeing of our staff, the financial security of our customers and continued productivity of our advisers

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Questions

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Notes
