



SERVING THOSE WHO SERVE SINCE 1913

**ASSUPOL HOLDINGS LIMITED**

*Incorporated in the Republic of South Africa*

(Registration Number: 2010/015888/06)

**4AX Share Code: 4AASP**

**ISIN: ZAE400000051**

**("Assupol Holdings" or "the Company")**

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**TRADING UPDATE: IMPACT OF COVID-19**

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Following the devastating effect of the COVID-19 virus on various countries in the world and the impact of the virus being declared a global pandemic by the World Health Organisation, a 21-day lockdown was announced by the South African president for the country, commencing 27 March 2020. The lockdown was subsequently extended for another 2 weeks until 30 April 2020. The impact of the virus, both in a South African context as well as internationally, is highly complex, underlined by significant uncertainty, and evolving at a rapid pace. It has had and will continue to have an immediate and long-lasting effect on societies and a significant impact on macro- and micro economic activity on a global scale.

**Business operations**

Assupol Holdings and its subsidiaries' ("**Assupol**" or "**the Group**") core business, namely insurance, was classified by the South African government as an essential service for purposes of the lock down period. Assupol's operations, with the exception of new business generation in its face-to-face environment, will continue during the lockdown period. Client services, head offices functions and the direct marketing distribution channel will be able to continue with their sales and other activities, as the Company was able to put processes in place that enabled employees of these divisions to work from home. Sufficient measurements are in place to protect the health and well-being of our staff and clients.

**Key indicators**

The investment markets, both equities and bonds, experienced significant losses and as a result the Company's valuation interest rate is expected to remain volatile. The downgrade by Moody's Investors Service on 27 March 2020 of the sovereign debt rating of the government of South Africa to below investment grade added further volatility.

The following table reflects the movements in the key indicators that impact Assupol's financial position:

	30 June 2019	31 December 2020	31 March 2020	YTD financial year movement
Valuation interest rate	7.70%	7.90%	9.30%	+1.60%
Inflation assumption	5.42%	5.57%	6.80%	+1.38%
R186 closing yield	8.09%	8.25%	9.86%	+1.77%
Capped SWIX total return index	23 076	23 052	16 926	-26.65%

Sources: IRESS / Assupol

The potential negative impact on the mortality experience in Assupol's market is uncertain at this stage and will depend on the containment of the COVID-19 infection rate through the lockdown and other actions taken by the government and residents of South Africa. Furthermore, the impact of an already fragile South African economy on the household spend of policyholders could lead to a decrease in persistency.

The solvency capital requirement ("SCR") ratio of Assupol Life Limited ("Assupol Life"), being a major subsidiary of Assupol Holdings, was at 170% for the six-month period ending December 2019. Notwithstanding the movements and volatility experienced at this stage, the effect on the SCR ratio is expected to be muted as the recent market movements have also resulted in lower capital requirements for the mass lapse and market interest rate stresses. The liquidity of the Company has also been considered under a variety of scenarios, and the Company has sufficient liquidity to meet claim and other outgoings for the foreseeable future.

Stakeholders are reminded of the market risk sensitivity analysis published in note 5.4.2 (a)(v) of the most recently audited annual financial statements for the year ended 30 June 2019, an extract of which is published below. The sensitivities illustrate the impact of changes in the primary risk variables on total policyholder assets / liabilities as well as the Group's profit or loss after tax. This is a sensitivity analysis based on the information available during the compilation of the financial statements and not an earnings forecast.

	% change in variable	Impact on total policyholder assets / liabilities R'm	Impact on equity and profit after tax R'm
<b>Non market long-term assumptions</b>			
Mortality and morbidity	+10%	521	(375)
	-10%	(537)	387
Withdrawals	+10%	27	(20)
	-10%	(13)	10
Renewal expense per policy	+10%	367	(265)
	-10%	(367)	264
<b>Economic assumptions</b>			
Valuation interest rate	+1%	(114)	75
	-1%	168	(114)
Inflation	+1%	350	(251)
	-1%	(296)	213

Positive numbers in the table represent an increase to policyholders' liabilities and profit after taxation respectively, and correspondingly, negative numbers indicate a decrease.

The capital fund (R1.51bn) investment allocation at 30 June 2019 was 19.2% local equities, 22.1% local money market, and 58.7% local bonds.

## **Outlook**

Assupol remains well capitalized and resilient despite the volatile conditions that the Group is facing. Assupol has appropriate risk management and strong operational processes in place. Management is actively monitoring the liquidity and cash flow of the Group and has strengthened its cost control measures.

Shareholders and other stakeholders should be aware that conditions remain fluid and uncertain. The management team is monitoring the situation on a daily basis, with the main focus being to ensure the long-term sustainability of the business for the benefit of all stakeholders.

Shareholders and other stakeholders will be kept up to date on the impact of COVID-19 if any material changes occur to the business operations of the Group.

05 May 2020

### **External Issuer Agent:**

Pallidus Capital Proprietary Limited