

LBH: LBH - Liberty Holdings Limited - Overview of trading for the three months
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ended 31 March 2011

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 Company")

OVERVIEW OF TRADING FOR THE THREE MONTHS ENDED 31 MARCH 2011

At the annual general meeting to be held later today, chief executive Bruce Hemphill will make the following comments regarding trading results for the three months to 31 March 2011 of Liberty Holdings Limited (Liberty Holdings). The Company continued to make progress on the delivery of its stated strategic objectives which are to strengthen the insurance business, excel in balance sheet management and to diversify the Company's revenue streams.

Life Assurance

Capital

The capital adequacy level of Liberty Group Limited, the entity which conducts the bulk of the Company's insurance activities, remains strong at 2.5 times the required cover after the payment to Liberty Holdings of R850m in respect of the final dividend for 2010 in March 2011. All the other Life License subsidiaries remain well capitalised and at similar levels to those reported at 31 December 2010.

Indexed New Business

The Company's indexed new business (excluding premium escalations) was R1 059m for the period compared to R1 091m in 2010. SA Retail indexed new business generated in the franchise, agency, and broker channels, excluding entry level market (ELM) business, is up by 3% on the same period in 2010. SA Retail single premium new business is up 4% to R2 009m.

Management in the traditional insurance business continues to focus on increasing the volume and improving the quality of new business and during the period introduced its new financial advisor value proposition which introduces differentiated adviser servicing and pricing based on the quality of the advisor's book. In addition, management has increased guaranteed capital bond and property capacity and is currently launching new risk products which are being well received by the market.

The overall reduction in indexed new business compared to the prior period was expected given the significant remedial action taken by management in 2010 to address poor lapse experience in the ELM business. During the period, action has been taken to ensure sustained profitable new business volume growth in the ELM business and management expects sales volumes to improve from current levels. This includes the expansion of the successful internal call centre channel, and the re-pricing of certain products.

Corporate indexed new business volumes were up 8% to R125m for the quarter, which included strong single premium flows.

New Business Margins

Despite the continuing substantial improvement in policyholder lapse experience, assumption reviews and changes to assumptions are only considered half yearly. Consequently new business margins for the quarter have not been adjusted for improved persistency experience and new business margins remain at 1,2%.

Cash Flows

Insurance net cash flows of R296m are substantially up on the corresponding 2010 period. Retail SA net cash flows are significantly better demonstrating the improvement in in-force premiums and single premium new business combined with consistent claims experience. Corporate net cash flows, whilst

negative, showed an improvement on those experienced in the first quarter of 2010.

LibFin

The return on the Shareholder Investment Portfolio which is effectively a low equity balanced portfolio, reflected the performance of investment markets which were challenging during the quarter and hence underperformed the long term assumption. However, the overall return is ahead of benchmark which reflects the continued improvement in asset management performance at Stanlib. The LibFin Markets portfolio performed in line with stated objectives.

Asset Management

Stanlib

Assets under management for the period increased to R361.3bn compared to R355.2bn at the end of December 2010, reflecting both an increase in net cash flows and underlying asset values.

The ongoing market volatility continues to be reflected in customer investment decisions and flows into money market and fixed interest products have continued but at slightly lower levels than those experienced in the same period in 2010.

Stanlib generated net customer cash flows (excluding intergroup life funds) of R6.3bn for the period. Stanlib's investment performance continued to improve during the period.

Liberty Africa

Net customer cash inflows from Liberty Africa amounted to R1.3bn and assets under management improved to R30.9bn at 31 March 2011.

Liberty Properties

Liberty Properties continues to deliver its projects on schedule and the unlisted property portfolio continues to deliver competitive returns. Demand for product containing the unlisted property portfolio remains strong.

Diversification Initiatives

Health

There was a significant improvement in the medical loss ratio during the period and a number of key contracts in Africa were successfully re-priced. Strong membership growth in Africa offset some membership attrition in South Africa.

Frank.net (Frank)

Frank is performing in line with business plan and is making good progress in establishing its brand in the market.

Bancassurance

Liberty Holdings and Standard Bank Group Limited concluded an amendment to their existing bancassurance joint venture agreement during the period. The amendment retains the evergreen status of the original agreement but extends the notice period from one to two years and stipulates that notice cannot be given for two years post date of signature. In addition, the amendment expands the agreement to include new channels, new product lines and new geographies. The terms relating to the sharing of profit on existing acquisition models and business lines in South Africa remain materially unchanged.

CfC Insurance Holdings Limited (CfCIH)

The acquisition of CfCIH which will provide scale to the Company's African operations, was finalised during the period and the business was successfully listed on the Nairobi Stock Exchange on 21 April 2011 with the shares trading well above the initial listing price.

Conclusion

In conclusion, the operational performance was satisfactorily and capital levels remain well above minimum requirements.

The intense focus on balance sheet management, investment performance and

persistence in the insurance operations has now been embedded into the day to day activities as business as usual. Management continues to focus on generating sustained quality new business and managing its diversification initiatives to business case.

Audit/Review

The trading overview for the three months ended 31 March has not been audited or reviewed by the Company's auditors.

13 May 2011

Sponsor

Merrill Lynch South Africa (Pty) Limited

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