

LBH - Liberty Holdings Limited - Operational update for the nine months ended 30 September 2011

Liberty Holdings Limited

Registration number 1968/002095/06

Incorporated in the Republic of South Africa

Share code: LBH

ISIN code: ZAE0000127148

("Liberty Holdings" or "the Company")

LIBERTY HOLDINGS LIMITED

OPERATIONAL UPDATE FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

The company's strategic objective is to strengthen the insurance business, excel in balance sheet management, and diversify revenue streams. The third quarter performance continues to indicate progress in this regard.

Life Assurance (South Africa)

Capital

The capital adequacy level of Liberty Group Limited, remains strong at 2.9 times the required cover (31 December 2010: 2.7). All the other life license subsidiaries remain well capitalised.

Long-term insurance indexed new business

Long-term insurance indexed new business (excluding premium escalations) was up 14% to R3 688m for the period. Retail SA indexed new business increased by 14%, with recurring business up 8% to R2 220m and single premium new business up 31% to R9 292m. The overall increase in indexed new business was achieved despite an anticipated decrease in entry level market business of 32% to R129m. Corporate indexed new business volumes were up 11.6% to R444m for the period.

Cash Flows

Insurance net cash inflows of R2 634m are substantially improved compared to the prior period (negative R611m). Corporate net cash flows, whilst still negative, showed a 45% reduction on the prior period.

Insurance operational performance

Policyholders' experience within Retail SA remains broadly in line with that evidenced at the half year. In Corporate, management has increased its focus on remedial action related to historical operational retirement fund administration issues which has increased costs.

LibFin

The shareholder investment portfolio reflected the performance of investment markets and beat the benchmark measured against returns of comparable asset classes as a result of improved asset management performance at STANLIB.

LibFin Markets performed in line with expectations. However, some exposure to investment market volatility remains inherent in the asset liability matching process.

Asset Management (South Africa)

STANLIB

Assets under management for the period declined by 3.4% to R343bn, reflecting net outflows of R6.3bn (excluding intergroup life funds). Institutional money market outflows were the key contributor to net outflows and were reduced by strong retail net cash inflows into higher margin products. Investment performance continued to improve during the period.

Liberty Properties

Liberty Properties continues to deliver its existing projects on schedule and within budget. The unlisted property portfolio remains competitive in terms of returns and demand for product containing the unlisted property portfolio remains strong. The extension to Sandton City was successfully opened during November.

Diversification Initiatives

Liberty Africa

Net customer cash inflows in the asset management business amounted to R207m and assets under management improved to R31.4bn during the period (31 December 2010: R29.0bn). Significant investment market volatility in Africa and the weakening of African currencies against the Rand has affected operations.

Liberty Health

Strong growth in African risk product sales has offset administration life attrition in South Africa. The medical loss ratio is worse than target but the management team has been strengthened and operational effectiveness has improved in the period.

Frank.net (Frank)

Frank made good progress in establishing its brand in the market and delivering its business case.

Conclusion

Operational performance continues to improve, capital ratios remain well above minimum requirements, and management has made substantial progress in generating sustained quality new business.

The operational update for the nine months ended 30 September 2011 has not been audited or reviewed by the Company's auditors. Liberty's year end results for 2011 are due to be released on 1 March 2012. Shareholders are advised that this is not a trading statement as per section 3.4 of the JSE Listings Requirements.

24 November 2011

Sponsor

Merrill Lynch South Africa (Pty) Limited

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