

LIBERTY

Results agenda

<u>Financial performance review</u> <i>for the six months ended 30 June 2017</i>	Casper Troskie <i>Financial Director</i>
<u>Conclusion</u>	David Munro <i>Chief Executive</i>

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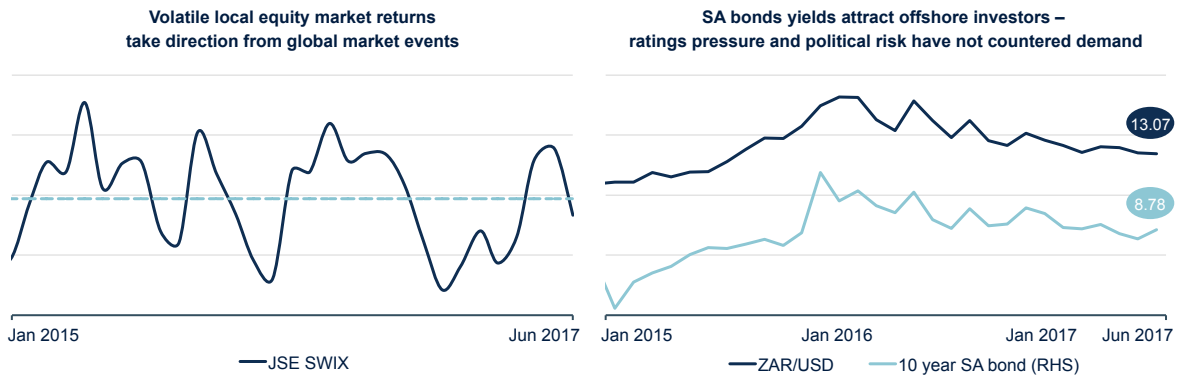
Notes



Financial performance review

Liberty Holdings Limited
Casper Troskie, Financial Director

Low equity market returns, recessionary environment



- GDP growth data confirms that the South African economy has now officially fallen into recession
- Deterioration in business and consumer confidence aggravated by the sovereign downgrade and ongoing political uncertainty
- Weak GDP growth outlook and lower inflation prompts MPC to cut rates
- Favourable inflows to SA and a smaller current account deficit helped offset negatives from the ratings downgrade and political environment

Source: I-Net Bridge and Bloomberg

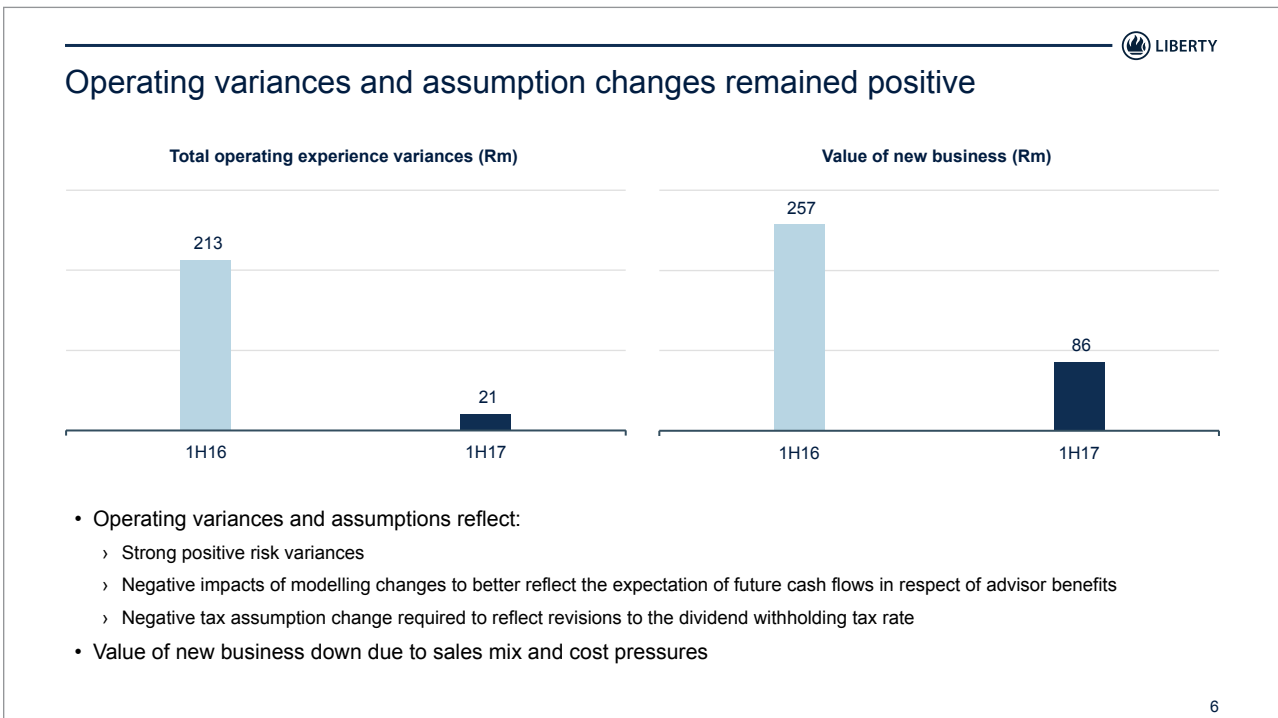
Notes

		
Group financial highlights		
<i>Rm (unless stated otherwise)</i>	Jun 17	Jun 16
Normalised headline earnings	1 267	1 821
Group Equity Value	40 190	41 994
Normalised Group Equity Value per share (R)	143.16	148.44
Group net customer cash flows	5 744	461
Long-term insurance indexed new business	3 930	3 569
Insurance gross sales	14 092	12 762
LGL CAR cover (times covered)	2.82	2.95

Normalised headline earnings improvement from second half of 2016

Improved sales and cash inflows, underpinned by a strong capital position

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Notes

SA covered business net worth – delivery on assumption

Net worth (Rm)	1H2017	1H2016
Expected transfer to net worth	2 138	2 154
Operating experience variances, assumption and modelling changes	49	127
Development expenses	(30)	-
Change in allowance for fair value of share rights	-	11
Actual net of tax transfer to net worth	2 157	2 292
Performance in line with expectation (%)	101	106

Continued positive delivery on actuarial assumptions

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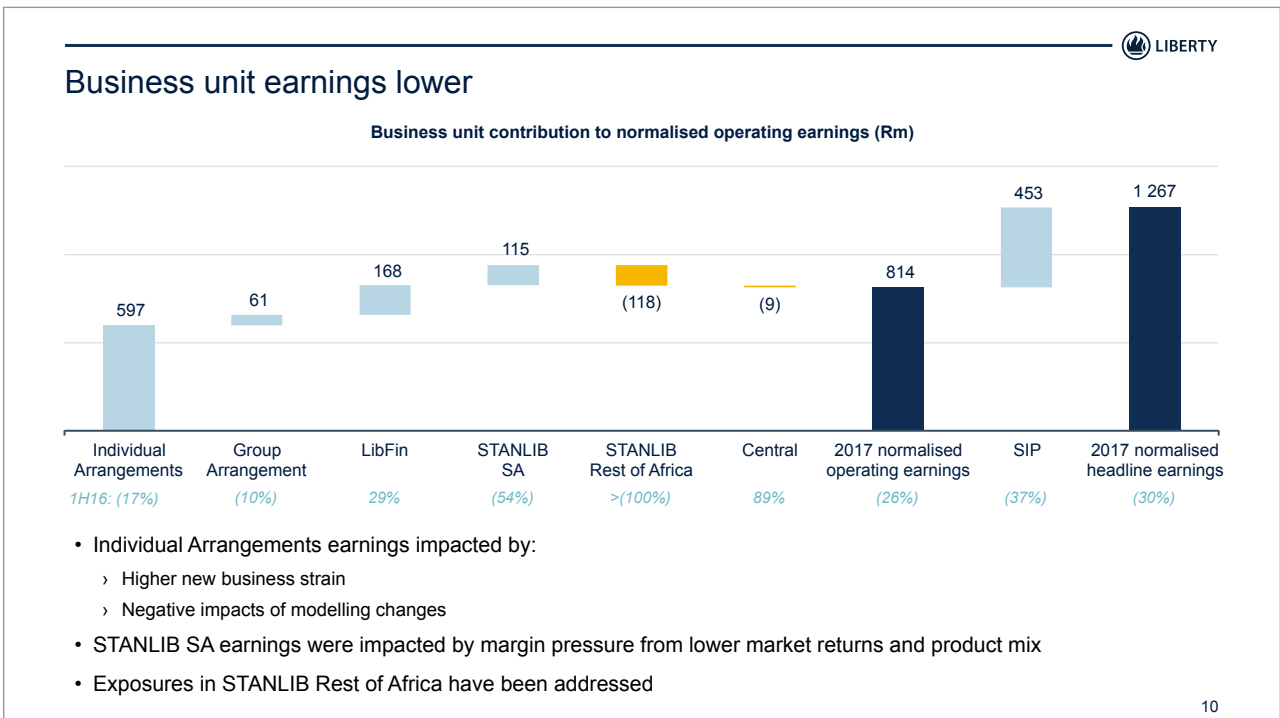
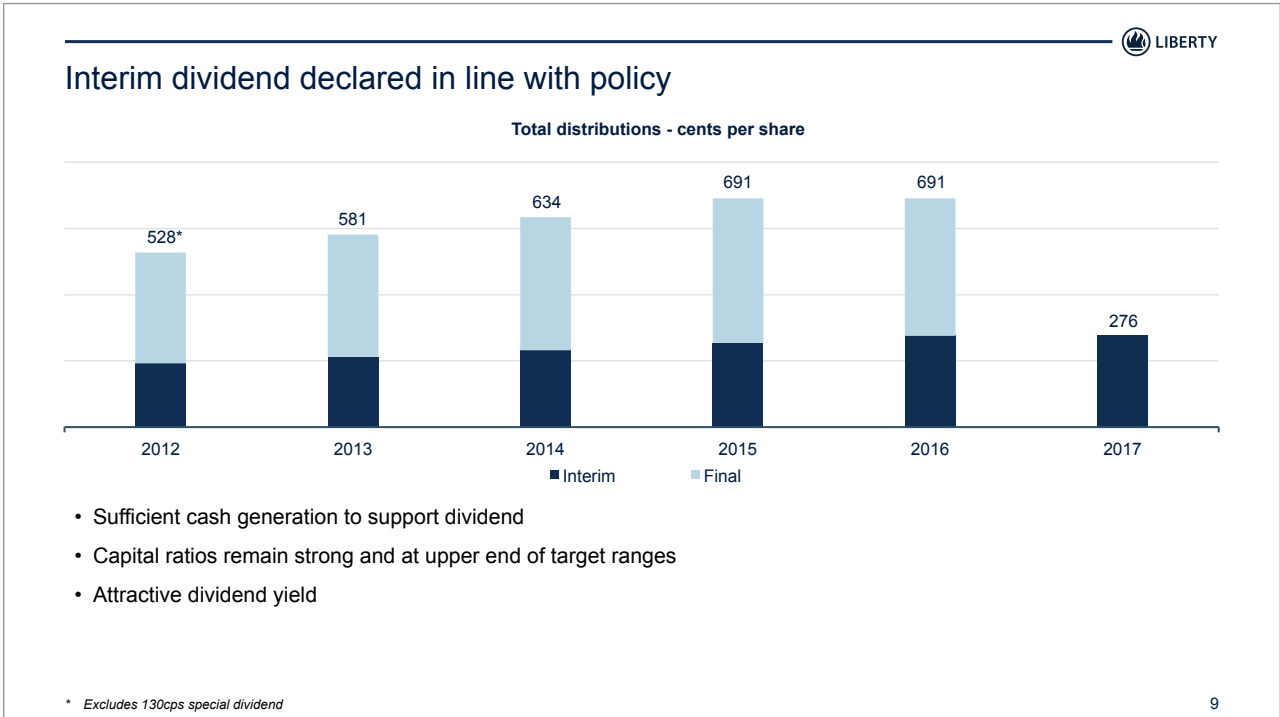
Capital position at 30 June 2017

Rm	Liberty Holdings Limited	Liberty Group Limited
IFRS		
IFRS shareholder equity	21 778	18 369
BEE preference shares	142	142
Liberty Two Degrees normalisation	(158)	-
Normalised shareholder equity	21 762	18 511
Regulatory capital		
Shareholder assets	18 118	14 849
Regulatory capital requirement	5 899	5 262
Surplus above regulatory requirement	12 219	9 587
Risk appetite capital coverage ratio	1.50	1.50
Capital buffer in excess of risk appetite	9 270	6 956
Capital ratio at period end	3.07	2.82

Capital levels remain strong post the sovereign credit ratings downgrade

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Notes



Notes

Group Equity Value

Rm	Jun 17	Dec 16
Normalised Equity Value at the end of the period	40 190	41 221
BEE preference shares	142	148
Liberty Two Degrees normalisation	(158)	330
Equity Value at the end of the period	40 206	40 743
Net share buy-backs	335	477
Dividends paid	1 168	2 024
Normalised Equity Value at the beginning of the period	(41 221)	(41 635)
Normalised Equity Value earnings	472	2 087
Normalised Group Equity Value per share (R)	143.16	145.86

- Reduction mainly due to:
 - › Final dividend paid in April 2017 and share buy backs exceeding equity value earnings
 - › SA covered business operating experience variances net positive
 - › Reduced earnings from the asset management business resulted in negative fair value adjustment


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Long-term insurance metrics remain a key focus area for improvement

Indexed new business (Rm)	Jun 17	Jun 16	% Δ
Individual Arrangements	3 205	3 094	4
Group Arrangements	725	475	53
Liberty Corporate	558	324	72
Liberty Africa Insurance	167	151	11
Total	3 930	3 569	10
 Value of new business (Rm)			
Individual Arrangements	62	242	(74)
Group Arrangements	24	15	60
Total	86	257	(67)
 New business margin (%)			
Individual Arrangements	0.4	1.6	(75)
Liberty Corporate	0.3	(0.1)	>100
Liberty Africa Insurance	4.3	7.0	(39)
Total	0.4	1.4	(71)

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Notes



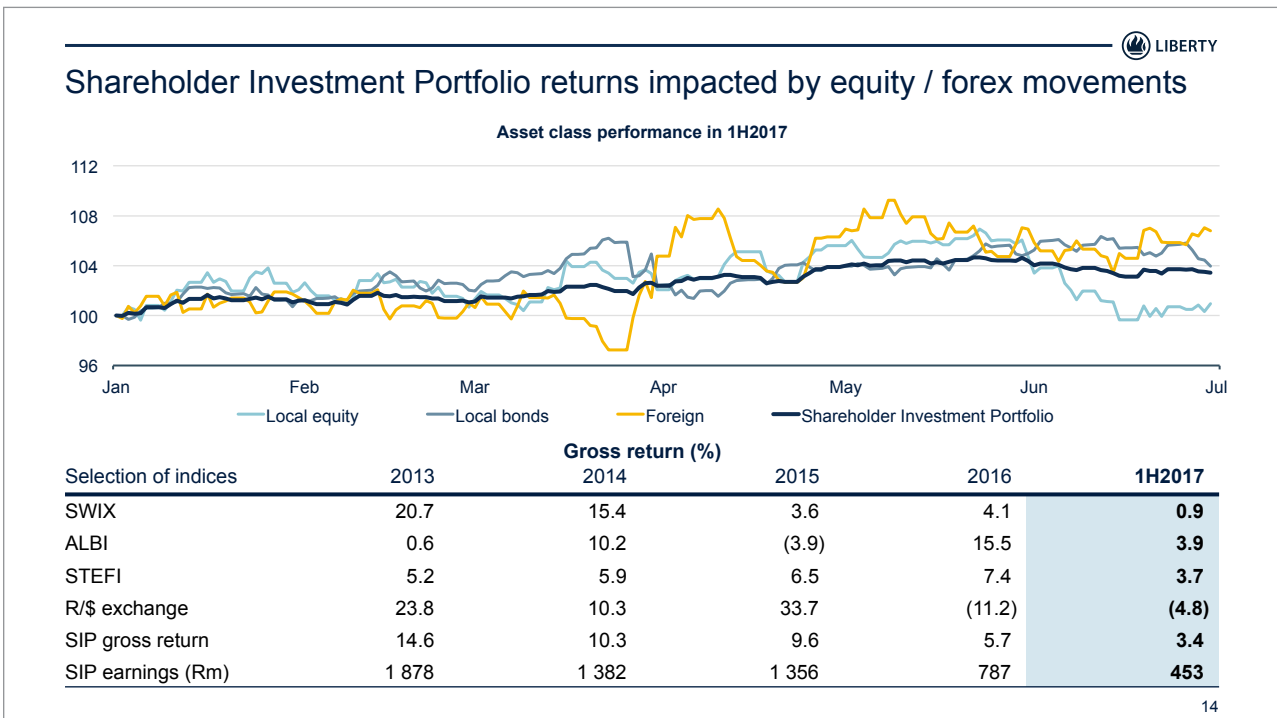
Substantial improvement in group net customer cash inflows

Rm	Jun 17	Jun 16	% Δ
STANLIB net customer cash flows	6 090	453	>100
Retail and institutional	5 358	3 169	69
Money market	732	(2 716)	>100
Long-term insurance net customer cash flows	(665)	(353)	(88)
Individual Arrangements*	774	597	30
Group Arrangements	(1 439)	(955)	(51)
STANLIB multi-manager	-	5	-
Total	5 425	100	>100

Rbn	Jun 17	Dec 16	% Δ
Assets under management	688	676	2
STANLIB	593	586	1
LibFin	58	58	-
Other internal, external managers & GateWay LISP	37	32	16

* Excludes Gateway LISP R122m for 1H2017 (1H2016: R129m)

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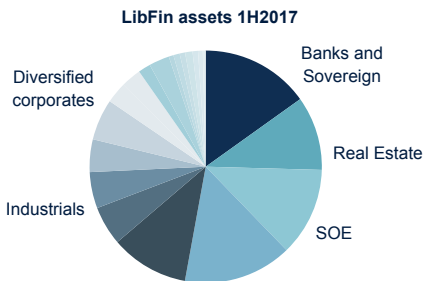
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LibFin Markets – ALM



Cautious ALM positioning amid uncertain developed market monetary policy and political climate

LibFin Markets – Credit



- Portfolio diversification continues
- Greater allocation to asset backed finance, project finance and property sectors

	Jun 17	Jun 16	% Δ
Earnings from the Credit portfolio (Rm)	138	139	(1)
Total Credit portfolio assets	58	53	9
Credit portfolio assets (Rbn)	39	31	26
Banks, treasuries and shorter dated assets (Rbn)	19	22	(14)

Increased diversification continues to improve the risk adjusted return

Notes



Financial performance – key focus areas

- Value of new business and margins are priorities for the insurance operations:
 - › Expense management
 - › Launch of new higher margin products (Agile 2.0)
 - › Margin improvements through product enhancements – risk, critical illness, investment builder
 - › Insurance sales mix
- Financial and investment performance for STANLIB
- Conditions precedent for the Nigeria transaction not met to date

Focused on delivering an improved short- to medium-term performance

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Conclusion

Liberty Holdings Limited
David Munro, Chief Executive

Notes

Observations

- Challenging operating environment
- Disappointing decline in profitability and lower value of new business
- Individual Arrangements and STANLIB need attention
- Operational write-offs are not acceptable

- Liberty Corporate, Liberty Africa Insurance and Liberty Health delivered a satisfactory result
- Shareholder Investment Portfolio performance in line with its benchmark
- Strong capital position and positive cash flows

Our purpose

We make a difference in people's lives
by making their financial freedom possible

Notes
