

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 THREE MONTH PERIOD ENDED 31 MARCH 2017

The upward trend in group sales observed in the second half of 2016 continued in the first quarter of 2017, with group indexed new business up 6% compared to the first quarter of 2016. New business margins for the quarter remained under pressure. Lower economic growth and rand volatility during the quarter continued to impact operating performance. Returns on the shareholder investment portfolio were ahead of benchmark for 2017 and remain ahead of the three year cumulative benchmark. Assets under management amounted to R682 billion (31 December 2016: R676 billion).

Capital position

The group's favourable capital position strengthened following consistent and effective management of risks within the board approved risk appetite. The group's main life subsidiary, Liberty Group Limited, remains well capitalised as reflected by its capital adequacy level of 3.18 times the regulatory minimum at 31 March 2017 having increased from the 31 December 2016 level of 2.95 times.

The group remains well capitalised post the downgrade of South Africa's sovereign credit rating in April 2017.

Insurance

Individual Arrangements

The retail insurance operations indexed new business of R1.6 billion was 6% up compared to the equivalent three month period ended 31 March 2016 (the comparative period). Single premium new business was up 19%, driven by good sales of guaranteed investment products, the Agile range of retirement products and the Bold living annuity. Recurring premium investment and risk business sales have been maintained at similar levels to the comparative period.

Net cash inflows for the retail insurance operations (excluding the Individual Arrangements LISP) amounted to R0.3 billion compared to R0.4 billion in the comparative period, with increased premiums being offset by higher policy surrenders and maturities. The Individual Arrangements LISP attracted R0.5 billion of gross new business inflows for the period compared to R0.6 billion in the comparative period.

Group Arrangements

Indexed new business from Liberty Corporate of R129 million was 2% lower than 2016. Recurring premiums were down 2% largely due to lower umbrella product sales. Liberty Corporate single premiums were flat compared to the comparative period. Liberty Corporate net cash outflows amounted to R756 million compared to R344 million in the comparative period, reflecting flat single premium new business and higher umbrella scheme terminations and risk claims linked to the economic environment.

Liberty Africa Insurance indexed new business of R83 million was 20% higher than the comparative period. This was attributable to increased single premium business from the Namibia, Swaziland and Botswana long-term insurance operations. Liberty Health continues to focus on a proprietary risk product solution to employers in non-South African jurisdictions.

Balance sheet management

LibFin continued to manage the shareholders' investment portfolio, the asset liability market risk exposures and the credit portfolio within mandate and approved risk limits. The returns on the LibFin Markets credit portfolio were supported by the credit assets backing the annuities and guaranteed product liabilities.

Asset management

STANLIB

STANLIB's assets under management amounted to R589 billion compared to R586 billion at 31 December 2016, reflecting incremental growth from investment market returns and external net cash outflows of R1.9 billion. Retail and institutional (excluding money market) net cash outflows for the period amounted to R0.2 billion. Intergroup cash outflows for the period amounted to R3.9 billion, mainly attributable to policyholder taxation obligations and changes in product mix.

Conclusion

Operating conditions are expected to remain challenging following the recent downgrade of South Africa's sovereign credit rating and the deteriorating outlook for economic growth. Management remains focused on ongoing cost management, sales efforts and improving the new business margins and competitiveness of Liberty's product suite.

The operational update for the three month period ended 31 March 2017 has not been audited or reviewed by the Company's auditors.

Queries:

Investor Relations
Sharon Steyn 011 408 3063
www.libertyholdings.co.za

18 May 2017

Sponsor
Merrill Lynch South Africa (Pty) Limited