



LIBERTY

Liberty Holdings Limited
Financial results
presentation
For the six months ended 30 June **2018**

ADVICE INSURE INVEST HEALTH

Liberty - an Authorised Financial Services Provider in terms of the FAIS Act (Licence No. 2409).



Business performance stabilised



- Operational challenges being addressed**
 - Meaningful progress made on strategic priorities
 - Robust plan in place
- Tough economic environment**
 - Impacts recovery of South African businesses
 - New business volumes remain under pressure
- Strong team effort to deliver on goals**
 - Normalised operating earnings increase 18%
- Challenging financial market conditions**
 - Impacts Shareholder Investment Portfolio earnings

Notes

Reflecting on progress



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- Restore the performance of the SA retail business
 - ✓ Product repricing and rationalisation of portfolios
 - ✓ Tight expense management with margin improvement
 - ✓ Simplification program to improve customer service, reduce complexity, simplify processes and reduce costs
- Improve investment performance in STANLIB SA
 - ✓ Continue to improve the operational control environment
 - ✓ Consolidated Equity Franchises
 - ✓ Enhanced investment philosophies and processes
 - ✓ Significantly strengthened oversight and analytics functions
- Optimise our growth initiatives
 - ✓ Transaction announced to convert L2D to a corporate REIT, to restore value
 - ✓ Confirm each business, accelerate value realisation by actively pursuing options including strategic partnerships
- Enhance the risk and control environment
 - ✓ Strengthened the control environment
 - ✓ Business normalised, no significant operational losses for the period

Reflecting on progress, continued




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Opportunities from the bancassurance collaboration plan	
<p>Bancassurance</p> 	<p>Collaboration across Africa</p> 
<p>Assurance Banking</p> 	

Leverage further opportunities with the Standard Bank group

- ✓ Expand the relationship with SBG to unlock opportunities
- ✓ Volume growth on bancassurance initiatives:
 - › Credit life premiums
 - › SBFC risk premium new business
 - › STANLIB bancassurance AUM
 - › Direct Life gross written premiums
 - › Short-term motor insurance policies sold
 - › Africa bancassurance gross written premiums
- ✓ Progress continues on higher value opportunities

Notes




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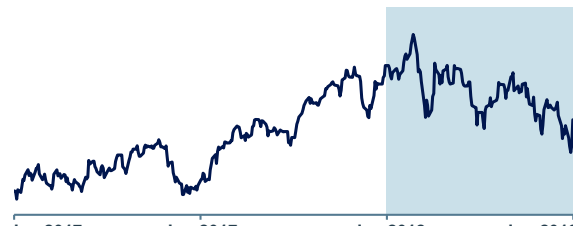
Financial overview

Yuresh Maharaj, Group Financial Director

Operating environment

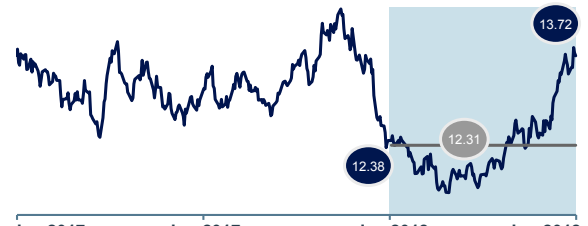


Local equity markets



— SWIX*

US\$ / ZAR



Average 1H18

- South Africa is expected to remain in a muted economic growth climate for the short term
- Consumers under increasing pressure
 - › Vat, fuel and utility price increases
- Low equity market returns combined with volatile currency movements

SA growth outlook revised and consumer spend constrained

Source: Bloomberg * SWIX Total Return Index - rebased to 100

Notes

Group financial highlights



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Financial highlights (Rm unless stated otherwise)

	Jun 18	Jun 17	% Δ
Normalised operating earnings	958	814	18
LibFin Investments - SIP	374	453	(17)
Normalised headline earnings	1 332	1 267	5
Normalised return on IFRS equity (%)	12.1	11.7	
Normalised group equity value per share (R)	138.66	143.16	(3)
Long-term insurance net customer cash inflows	262	(665)	>100
Liberty Group Limited capital adequacy cover (times covered)	2.67	2.82	
Dividend per share (cents)	276	276	

Stabilising operational performance reflects progress

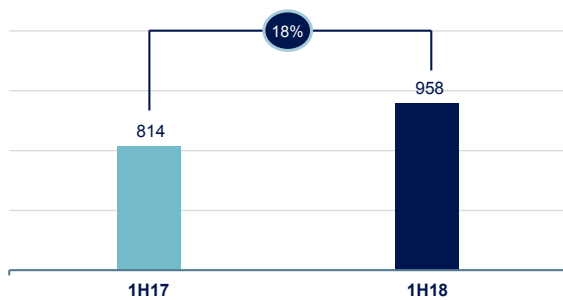
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Contribution to normalised operating earnings



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Normalised operating earnings (Rm)



Contribution by business unit (Rm)

	Jun 18	Jun 17	% Δ
Individual Arrangements	704	597	18
Group Arrangements			
Liberty Corporate	77	80	(4)
Liberty Africa Insurance	(5)	20	(>100)
Liberty Health	(45)	(19)	(>100)
Group arrangements support	(2)	(20)	90
STANLIB South Africa	175	115	52
STANLIB Africa	10	(118)	>100
LibFin Markets	169	168	1
Central overheads and sundry income	(125)	(9)	(>100)
Normalised operating earnings	958	814	18

Improved operating earnings driven by SA insurance operations and STANLIB businesses

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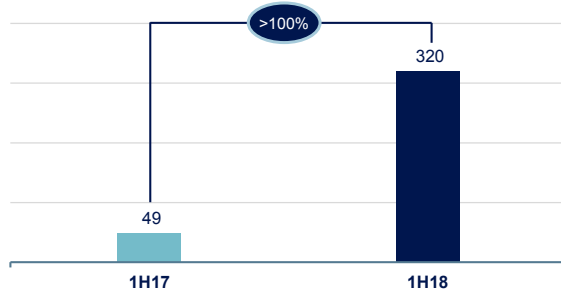
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SA covered business



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Net worth operating experience variances (Rm)



Net worth – delivery on assumption (Rm unless stated otherwise)

	Jun 18	Jun 17
Expected transfer to net worth	2 196	2 138
Operating experience variances	320	49
Development expenses	-	(30)
Change in allowance for fair value share rights	(26)	-
Actual net of tax transfer to net worth	2 490	2 157
Performance in line with expectation (%)	113	101

- Variances improved in a tough environment, due to:
 - › Improved withdrawal experience supported by sustained retention initiatives
 - › Positive risk variances maintained
 - › Continued positive credit portfolio variance

Consistently managing insurance operations to better than model

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Long-term insurance operations



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Key performance indicators (Rm unless stated otherwise)

	Jun 18	Jun 17
Value of new business increased by 57%	135	86
Individual Arrangements	111	62
Group Arrangements	24	24
New business margin (%) 30bps improvement	0.7	0.4
Individual Arrangements	0.7	0.4
Liberty Corporate	0.4	0.3
Liberty Africa Insurance	1.3	4.3
Insurance indexed new business lower by 4%	3 773	3 930
Individual Arrangements	3 111	3 205
Group Arrangements	662	725
Insurance net customer cash flows >100% improvement	262	(665)
Individual Arrangements	750	774
Group Arrangements	(488)	(1 439)

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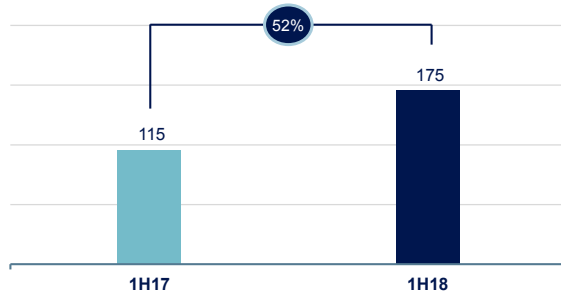
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STANLIB South Africa



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Earnings Rm



Net cash flows Rm (excludes intergroup)

	Jun 18	Jun 17
Non-money market	8 949	5 705
Retail	5 479	3 345
Institutional	3 470	2 360
Money market	(549)	(59)
Retail	(352)	(1 461)
Institutional	(197)	1 402
Net South Africa cash inflows	8 400	5 646

- Earnings improve from stabilisation of control environment
- Lower fee income from muted investment market returns
- Oversight of franchises strengthened, new Head of Investment
- Improved net cash inflows, mainly in STANLIB multi-manager and retail unit trusts

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Liberty Group Limited - Capital position



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Rm (unless stated otherwise)

	Jun 18	Jun 17
IFRS		
IFRS shareholder equity	18 068	18 369
BEE preference shares	117	142
Normalised shareholder equity	18 185	18 511
Regulatory capital		
Shareholder assets	14 265	14 849
Regulatory capital requirement	5 343	5 262
Surplus above regulatory requirement	8 922	9 587
Risk appetite capital coverage ratio	1.50	1.50
Capital buffer in excess of risk appetite	6 251	6 956
Capital ratio at period end (times covered)	2.67	2.82

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Notes

Review our measures of progress



Target to 2020

Value of new business margin 1% - 1.5% target range

Capital cover within target range 2.5 - 3.0 times

RoE 15% - 18% range

Growth in embedded value >12%

June 2018

New business margin: 0.7% ●

Capital cover: 2.67x ●

RoE: 12% ●

Embedded value growth: 5% ●

December 2017 - baseline

New business margin: 0.5%

Capital cover: 2.92x

RoE: 12%

Embedded value growth: 1%

- Improving the value of new business and margin remain a priority for the insurance operations;
 - › Extracting cost efficiencies and prudent expense management continues
 - › Initiatives to enhance product propositions continue
- Strong focus on actions to grow sales volumes

Update on specific matters
David Munro, Chief Executive

Notes

Criminal data breach



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The incident

- Illegal and unauthorised access of IT infrastructure
- Unstructured data stolen, limited to the South African insurance operations
- Proactive communications plan with key stakeholders within 36 hours

Update: IT infrastructure has been further strengthened to safeguard customer and company data

- Impacted employees and customers contacted and assisted
- No customer suffered financial loss
- An opportunity that unified Liberty through extensive collaborative efforts
- The matter remains subject to a criminal investigation
- Regulators and authorities kept informed throughout the process, with support received

Data and information of our customers taken very seriously

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Liberty Corporate retirement fund administration



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Unclaimed benefits:

- Liberty Corporate provides a pension and provident fund administration capability
- Unclaimed benefits exist in both Unclaimed Benefit Funds, and other administered occupational funds
- In terms of Liberty's Unclaimed Benefit Funds
 - › Significantly increased tracing capability and resources
 - › Actively locating 75 000 unclaimed fund members out of a total of c100 000
- Working with trustees of administered occupational funds to improve their unclaimed benefit outcome

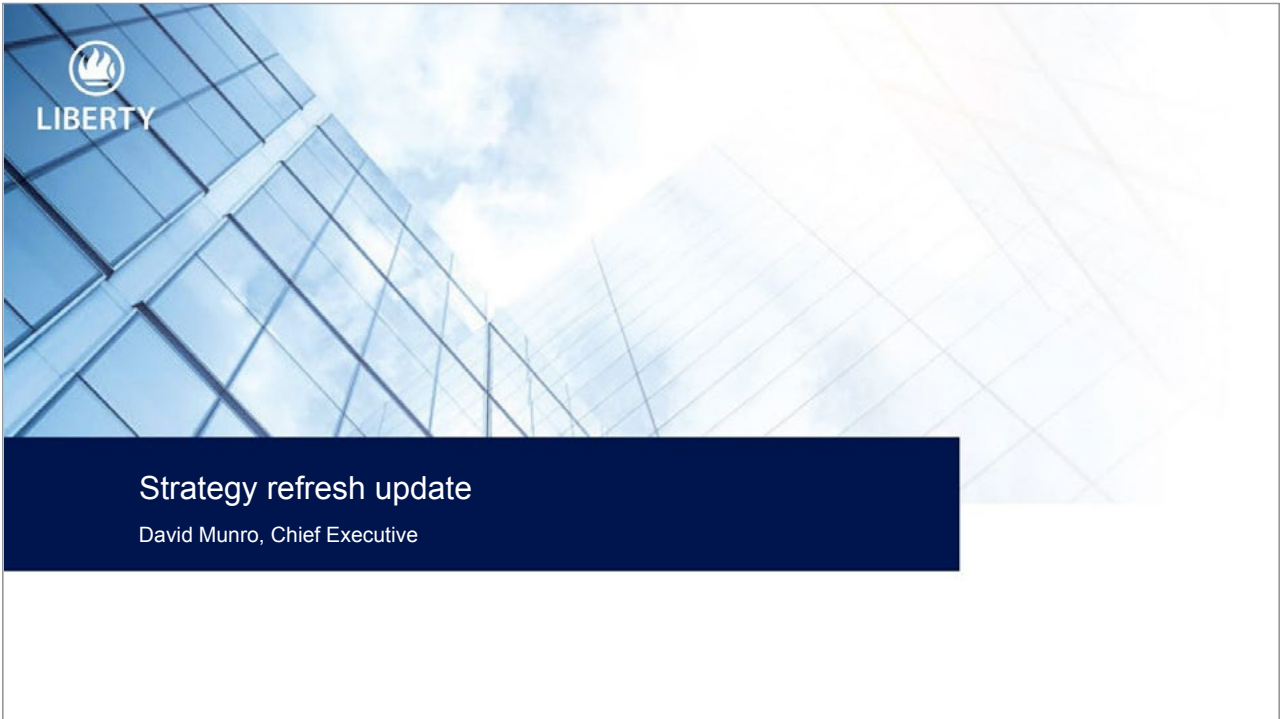
Fund deregistration project initiated in 2007:

- Liberty secured the deregistration of just over 4 600 funds
- Liberty found 130 funds to have been deregistered in error with cR100m in assets
- To date successfully applied to reinstate 25 of these funds and commenced payments
- Remaining 105 in process of rectification

Committed to ongoing efforts to ensure fund members receive their benefits

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Notes

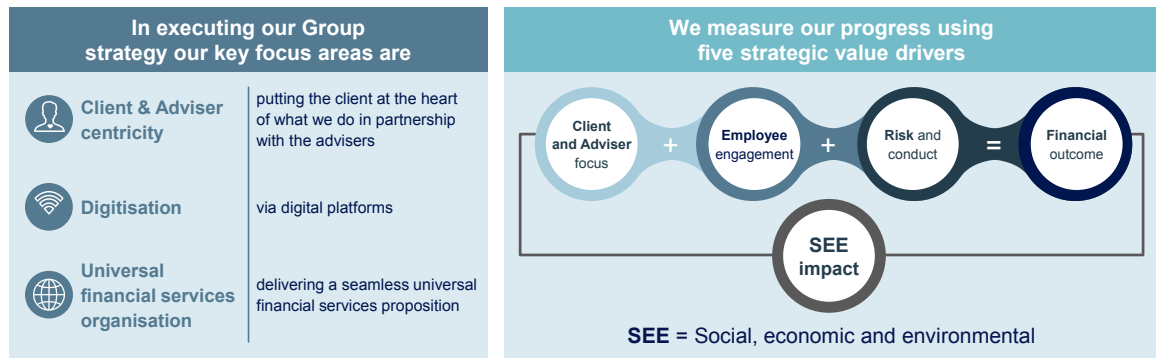


A plan is in place, starting with our revised vision and purpose



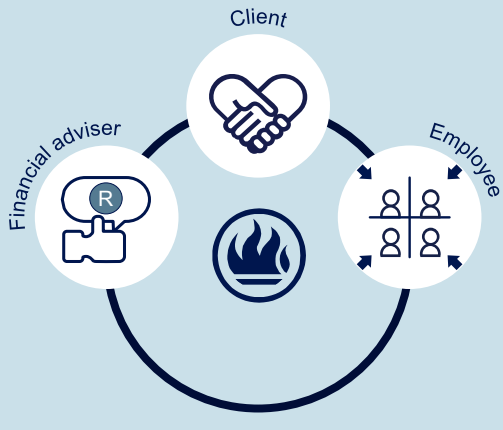
Group purpose Improving people's lives by making their financial freedom possible

Group vision Transforming Liberty to be the trusted leader in South Africa and chosen markets by delivering superior value through exceptional client and adviser experiences



Notes

Executed through a revised organisational design



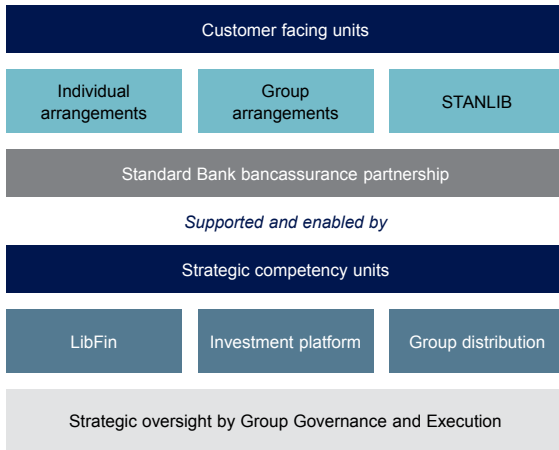
- Support the delivery of our strategy
Reconnect the value chain
- All teams in Liberty aligned
As we put the advisors and clients at the heart
- A combination of capabilities
For the greatest impact on our advisors and clients
- Core focus on the South African retail mass affluent
A fully integrated business, single delivery mechanism

Not changing what we do... but shifting how we do it

Revised organisational design



Previous operating structure



Revised business unit structure



Our new structure enables us to achieve:

- Increased efficiencies
- Reduced complexity
- Enhanced governance, and
- A reconnected client, financial adviser and employee value chain

Notes

In conclusion



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Organisation has shifted	1H18 highlights	Going forward
✓ Progress on remediation initiatives	✓ Stabilised operations progress evident	• Strategy refresh execution
✓ Decisions taken on non-core operations	✓ Operating earnings growth in a tough economic environment	• Implement a revised organisational design that addresses shortcomings of operational structure
✓ Relentless approach to costs	✓ Managed to model and assumption	• A company fit for a competitive digital world with clients, advisors and employees at the heart
✓ Building a connected customer and advisor experience	✓ Strong capital position	

Considerable work done in the first six months on initiatives to turn the business around

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Notes
