MEDIA RELEASE

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"**Liberty delivers significantly improved operating performance**"

Results reflect benefits of strategic initiatives implemented

Financial highlights:

- Normalised operating earnings increased by 42% to R2 006 million
- Group value of new business increased by 59% to R371 million
- Group net external third party client cash inflows increased by 57% to R10.2 billion
- The group is well capitalised, with the solvency capital requirement cover in terms of the new prudential regulatory regime at 1.87 times
- Full year distribution of 691 cents per share

Commenting on the results, David Munro Liberty Group CE said:
"In 2018 we delivered on our commitments and achieved meaningful progress on our plan to turn Liberty around. We strengthened our business, increased value to our clients and improved our financial performance."

"We made significant strategic shifts to simplify and re-orientate our business to better serve our clients. These changes are reflected in our performance for the year which is underpinned by a significant improvement in earnings in our core SA retail business, better investment performance for STANLIB SA, enhanced client experience and a reduction in costs."

"Our overriding priority for 2019 is the ongoing execution of our strategic priorities. We will continue to focus on our business in South Africa where we have a strong and competitive client base and work closely with our majority shareholder, Standard Bank. Our ultimate goal is to improve the way in which we serve our financial advisers and clients by delivering exceptional experience."

Group results show significant performance improvement

Normalised Operating Earnings increased 42% to R2 006 million, reflecting an improved operational performance in the South African Insurance Operations and STANLIB South Africa businesses. The Shareholder Investment Portfolio was impacted by volatile market conditions and lower market returns experienced during 2018, which resulted in normalised headline earnings decreasing by 17% to R2 256 million.

Strong cost discipline together with product and margin enhancements resulted in a 59% improvement in the Value of New Business (VoNB) to R371 million, with margin improvement to 0.9% from 0.5% in 2017.

Group net external third party client cash inflows amounted to R10.2 billion up 57% on 2017 inflows of R6.5 billion. This was mainly supported by higher STANLIB South Africa net external third party client inflows as well as lower policy maturities and withdrawals in the SA Insurance Operations. Total group assets under management amounted to R718 billion (31 December 2017: R720 billion).

Despite a slow start to 2018, continued focus on sales efforts and volumes resulted in an improved second half sales performance, resulting in the group long-term insurance indexed new business of R8 051 million remaining at similar levels to 2017.

The group remains well capitalised in respect of the new prudential regulatory regime, which became effective from 1 July 2018. The Solvency Capital Requirement Cover of Liberty Group Limited, the group's main long-term insurance licence, of 1.87 times at 31 December 2018 is at the upper end of our target range and underpins our commitment to fulfil our promises to policyholders and other stakeholders.

South African insurance operations

SA Retail

The SA retail business delivered a considerable improvement in earnings of 31% to R1 581 million. This was largely achieved through progress made on a number of initiatives that are aimed to improve client and adviser experience, a reduction in business complexity and a strong focus on discretionary cost management.

Indexed new business sales of R6 495 million were 1% down on 2017. Tough economic conditions continued to impact sales volumes in 2018. However, the second half sales performance reflected an improvement over the first half of 2018. Going forward growth in sales volumes and VoNB remains management's highest priority.

VoNB increased by 75% to R271 million and the margin improved to 0,8% from 0,5% at 31 December 2017. This result is attributable to the positive impact of product and margin enhancements and focused cost management. Net client cash inflows of R2 065 million were lower than 31 December 2017 of R2 846 million. Ongoing retention initiatives reflecting favourable withdrawal experience were offset by higher mortality and morbidity claims and annuity payments.

Liberty Corporate

Liberty Corporate showed progress, with improvements in the value of new business, cash inflows and indexed premiums. Earnings however remained under pressure at R52 million mainly as a result of high death claims in the second half of 2018 and lower annuity and asset based fee income.

The business continues to make significant strides in tracing and paying beneficiaries of unclaimed benefits. During 2018, the Group increased claim payment capability to enable the payment of 5,000 claims a month. A total of R176 million was paid out to over 22,000 members from the Liberty sponsored Unclaimed Benefit Funds. In addition, Liberty waived the administration fee on benefits lower than R800 to preserve these benefits for members. The Group will continue to work with the relevant industry bodies to reduce the occurrence of unclaimed benefits.

Asset Management

STANLIB South Africa earnings increased by 41% to R355 million. Fee income was lower in 2018 mainly due to weak investment market returns. The prior year earnings were impacted by once off operational write-offs. Costs were well managed during 2018 and management has continued to strengthen the control environment with a focus on improving the overall financial results.

Importantly, the business reflected improved investment performance in its core retail equity and balanced funds, achieving top quartile performance over the 12 months ended 31 December 2018

Net external third party client cash inflows grew to R16.1 billion from R4.7 billion in 2017. This result was attributable to good institutional non-money market as well as retail and institutional money market inflows.

Total assets under management by STANLIB South Africa amounted to R549 billion (31 December 2017: R556 billion) with the reduction from 2017 mainly attributable to weak market returns.

Africa Regions
Africa Regions comprises Liberty Africa Insurance and the STANLIB asset management operations in the Southern African region.

Earnings for the year of R8 million from these businesses were negatively impacted by generally lower investment market returns and adverse claims experience in the short-term insurance businesses in East Africa. The asset management operations performed according to expectation.

Operations under ownership review
As part of the strategy refresh exercise, various operations have been identified as no longer central to Liberty's revised strategy. Consequently a process of negotiations with potential partners has commenced.

These operations include the asset management businesses in East and West Africa, Liberty Health and Liberty Africa Insurance’s short-term insurance businesses in Malawi and Namibia.

Liberty’s short-term insurance technology platform has been sold to Standard Bank Group effective 2 January 2019. Notwithstanding the sale of the technology platform to Standard Bank Group, the transaction ensures that Liberty’s short-term insurance offering will still be available to Liberty’s financial advisers in the South African market to enhance the comprehensive product offering available to clients.

The 2018 loss of R166 million is significantly reduced compared to the prior year loss of R322 million due to the successful remedial action taken in the STANLIB East African businesses. The Liberty Heath loss reflects the lower number of risk lives.

Liberty Two Degrees (L2D)
L2D was restructured and converted to a corporate REIT on 1 November 2018. L2D’s results for the year ended 31 December 2018 were released on 25 February 2019. The operational performance of the property portfolio remained solid notwithstanding a difficult consumer environment. The total distribution declared for 2018 amounted to 60,00 cents per share which was in line with previously reported guidance (2017: 59,22 cents per share). Portfolio vacancies decreased to 3,4% from 6,4% with retail vacancies at 1,2%.

Bancassurance

The bancassurance agreement with Standard Bank, which is applicable across the group’s operations, continues to make a positive contribution to new business volumes and earnings. The total indexed new business premiums sold under the agreement increased by 4% on the prior year. We continue leveraging our joint capabilities with Standard Bank to capture appropriate opportunities.

Strategic priorities and outlook

Good progress is being made in implementing Liberty's turnaround strategy. In 2019 the focus will be on driving the SA Retail performance and VoNB growth by delivering exceptional client and advisor experiences, continuing to improve the investment performance of STANLIB, finalising outcomes for each of the group's operations under review and continuing to maximise our relationship with the Standard Bank Group.

We expect the South African economic environment to remain subdued for the first half of 2019, however, we remain confident that our focus is on the right areas of the business to create value for all stakeholders.

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