

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 Group")
LIBERTY HOLDINGS LIMITED

OPERATIONAL UPDATE FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

Group long-term insurance indexed new business grew by 6% compared to the nine month period to 30 September 2016 (the prior period) supported by good Liberty Corporate new business sales. Low economic growth and consequential ongoing pressure on consumers continued to impact retail volumes. Heightened political and economic uncertainty saw continued flows into guaranteed products. This manifested in a weaker mix of business from a margin perspective and lower value of new business in the Group's retail operations in South Africa. Improved asset management non-money market cash flows supported the higher group net customer cash flows compared to the prior period. Assets under management amounted to R708 billion (31 December 2016: R676 billion).

Capital position

The capital adequacy ratio of the Group's main life subsidiary, Liberty Group Limited, increased to 3.26 times the regulatory minimum at 30 September 2017, above the upper end of the target range, from 2.82 times at 30 June 2017. The capital ratio benefited from the additional debt capital of R1 billion in issue at 30 September 2017 as well as a revision to the credit capital requirements in August 2017. This strong capital position underpins the Group's ability to fulfil its commitments to all its stakeholders.

Insurance

Individual Arrangements

The retail insurance operations indexed new business of R4.9 billion was 2% up compared to the prior period. Single premium new business was up 4%, driven by good sales of guaranteed investment products. Recurring premium investment and risk business sales are 1% up on the prior period.

Net cash inflows for the retail insurance operations (excluding the Individual Arrangements LISP) increased to R1.3 billion from R0.7 billion in the prior period, due to reduced policy surrenders and maturities in the current period. The Individual Arrangements LISP attracted R1.5 billion of gross new business inflows in line with the prior period.

Group Arrangements

Indexed new business from Liberty Corporate of R802 million was 37% higher than 2016. Recurring premiums were up 38% due to strong group risk and umbrella enhancement sales. Single premiums were up 31% compared to the prior period due to improved single premium umbrella sales. Net cash outflows amounted to R1.5 billion compared to R1 billion in the prior period, reflecting the loss of certain investment mandates and higher risk claims linked to the economic environment.

Liberty Africa Insurance indexed new business of R232 million was 10% higher than the prior period. This was attributable to increased single premium business from the Southern African long-term insurance operations.

Asset management

STANLIB South Africa

In the STANLIB South Africa business, assets under management amounted to R554 billion compared to R535 billion at 31 December 2016, reflecting growth from investment market returns and external net cash inflows of R4.6 billion. Retail and institutional (excluding money market) net cash inflows for the period amounted to R4.3 billion (30 September 2016: inflows of R0.7 billion). Intergroup cash outflows for the period amounted to R12 billion, mainly attributable to policyholder taxation obligations and changes in product mix.

STANLIB Rest of Africa

Assets under management in the STANLIB Rest of Africa business amounted to R55 billion compared to R51 billion at 31 December 2016, with external net cash outflows of R0.8 billion. Retail and institutional (excluding money market) net cash outflows for the period amounted to R1.6 billion (30 September 2016: inflows of R2 billion). Intergroup cash outflows for the period amounted to R77 million.

Conclusion

Operating conditions are expected to remain challenging in light of the poor outlook for economic growth. Management's immediate priority remains the strategic execution of initiatives to restore the value of new business and margin, reduce costs and complexity in the business and improve customer experience.

The operational update for the nine month period ended 30 September 2017 has not been audited or reviewed by the Group's auditors.

Queries:

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24 November 2017

Sponsor
Merrill Lynch South Africa (Pty) Limited