

Liberty Holdings Limited
Incorporated in the Republic of South Africa
(Registration number 1968/002095/06)
Share Code: LBHP ISIN Code: ZAE000004040
Share code: LBH ISIN code: ZAE0000127148
("Liberty Holdings" or "the Group")

LIBERTY HOLDINGS LIMITED

OPERATIONAL UPDATE FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

The 2017 year end results presentation set out the challenges that the Group faced and management's priorities for 2018 and 2019. These priorities are to restore the financial performance of the SA Retail insurance business, improve the investment performance of STANLIB, simplify the group's overall operations and maximise the relationship with the Standard Bank Group.

During the first quarter of 2018, management continued to execute plans to address these priorities. Formal programmes are in operation to ensure that focus on specific deliverables and outcomes is maintained and that progress is closely tracked. Intense focus on addressing the new business volumes across all business lines has been required, together with continued strict discipline in managing the expense base. An update will be provided during the 2018 half year results announcement.

The Group remains well capitalised at the upper end of its target range in respect of the current capital regime. The impending Solvency Assessment and Management (SAM) regime is expected to become effective from 1 July 2018 and the group's capital coverage under SAM is well within its target range.

Insurance operations

Individual Arrangements

The retail insurance operations indexed new business of R1 503 million was 3% down compared to the three months to 31 March 2017 (the comparative period) reflecting weak new business volumes experienced in the first quarter of 2018. Recurring premium investment and risk business sales were flat compared to the comparative period, with a decrease in single premium business partly attributable to a continued migration to off-balance sheet products.

The continued retention efforts in the retail insurance operations to reduce policy surrenders and maturities have positively contributed to net cash inflows (excluding the Individual Arrangements LISP) increasing to R514 million from R292 million in the comparative period. The Individual Arrangements LISP attracted R545 million of gross new business inflows which was 19% up on the comparative period.

Group Arrangements

Liberty Corporate indexed new business increased to R171 million from R129 million in the comparative period. Recurring premiums grew to R156 million from R115 million due to strong group risk sales. Single premiums were up 12% due to improved single premium umbrella sales. Net cash outflows reduced to R278 million compared to R756 million at 31 March 2017, reflecting lower scheme terminations.

Liberty Africa Insurance indexed new business reduced to R62 million from R83 million in the comparative period, attributable mainly to the sale of more single premium business in the current quarter.

Asset management

STANLIB South Africa

In the STANLIB South Africa business, assets under management amounted to R543 billion compared to R556 billion at 31 December 2017, reflecting the effect of external net cash inflows of R2.5 billion offset by lower investment market returns for the quarter. Retail and institutional net cash inflows for the period amounted to R1.5 billion (31 March 2017: inflows of R1 billion) and money market net cash inflows amounted to R1 billion (31 March 2017: outflows of R1.9 billion). Intergroup cash outflows for the period, mainly attributable to policyholder taxation obligations and changes in product mix, amounted to R5.4 billion.

STANLIB Rest of Africa

Assets under management in the STANLIB Rest of Africa business amounted to R47 billion compared to R53 billion at 31 December 2017, with external net cash outflows of R6.6 billion (31 March 2017: outflows of R0.9 billion) due mainly to the loss of a large mandate in the Southern African region.

Conclusion

Actions to achieve the Group's medium-term strategic priorities are in full flight. Management is confident that Liberty has all the ingredients for success and will continue to focus on executing the plans to restore the performance of the business.

The operational update for the three month period ended 31 March 2018 has not been audited or reviewed by the Group's auditors.

Queries:

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18 May 2018

Sponsor:
Merrill Lynch South Africa (Pty) Limited