

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

LIBERTY HOLDINGS LIMITED

OPERATIONAL UPDATE FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018

During the third quarter of 2018, management continued to execute plans to address the stated group priorities of restoring the financial performance of the SA Retail insurance business, improving the investment performance of STANLIB, simplifying the group's overall operations and maximising the benefits of the relationship with the Standard Bank Group. Formal programmes are in place to ensure that focus on specific deliverables and outcomes is maintained and that progress is closely tracked. We are encouraged by some early signs that actions are being taken in the correct areas of the business.

New business volumes, particularly risk business, remain depressed, consistent with the first half of 2018. Intense focus on addressing the mix of new business volumes and margin across all business lines is ongoing, together with continued strict discipline in managing the expense base.

Volatile financial market conditions have negatively impacted returns from the shareholder investment portfolio.

The Group remains well capitalised and capital coverage is within the target range in respect of the Solvency Assessment and Management regime, which became effective on 1 July 2018.

Insurance operations

Individual Arrangements

Indexed new business sales of R4 698 million were 3% lower than the nine months to 30 September 2017 (the comparative period). Sales volumes continued to be impacted by the competitive environment coupled with the current tough economic conditions. Recurring premium investment and risk business sales were flat on the comparative period, with a decrease in single premium business partly attributable to a continued migration to off-balance sheet products, as evidenced by the R1 954 million gross new business inflows attracted by the Individual Arrangements LISP, up 29% on the comparative period.

Net customer cash inflows of R484 million were below the comparative period inflows of R1 270 million due to lower single premium new business partly offset by lower policy surrenders and maturities. The continued retention efforts in the retail insurance operations to reduce policy surrenders and maturities have had a positive impact.

Group Arrangements

Liberty Corporate indexed new business was 4% below the comparative period at R772 million, with single premium new business up 12% on the comparative period due to improved umbrella investment sales offset by a 5% decrease in recurring premiums. Net cash outflows reduced to R909 million compared to R1 478 million at 30 September 2017 due mainly to increased single premium umbrella sales.

Liberty Africa Insurance indexed new business increased to R256 million from R232 million in the comparative period. Weaker economic conditions and aggressive competitor activity as reported at the 2018 half year continued in the third quarter of the year, including considerable pricing pressure in the short-term insurance businesses.

Asset management

STANLIB South Africa

In the STANLIB South Africa business, assets under management amounted to R564 billion compared to R556 billion at 31 December 2017. Net customer cash inflows (excluding intragroup) increased to R14.1 billion from R4.6 billion in the comparative period, supported by increased flows from institutional clients. Non-money market net cash inflows grew to R8.2 billion from R4.3 billion in the comparative period and money market net cash inflows increased to R5.9 billion from R0.3 billion in the comparative period. Intragroup cash outflows for the period amounted to R13.6 billion and are consistent with the trends evident at half year.

STANLIB Africa

Assets under management in the STANLIB Africa business amounted to R51 billion compared to R53 billion at 31 December 2017, with external net cash outflows of R8.6 billion (30 September 2017: outflows of R0.8 billion) due mainly to the loss of a large mandate in the Southern African region in the first half of 2018.

Liberty Two Degrees (L2D)

The transaction to facilitate the conversion of L2D to a corporate REIT in order to restore value and provide a more compelling investment proposition was completed on 1 November 2018 with the listing of the New L2D corporate REIT. Further details of the transaction are available on the L2D website and in the L2D finalisation announcement released on SENS on 19 October 2018.

Conclusion

We expect economic and operating conditions to remain subdued for the remainder of the year, suggesting that the challenging consumer environment and pressure on sales volumes could continue through to 2019. In this environment, the focus on cost management will continue.

This operational update for the nine month period ended 30 September 2018 has not been audited or reviewed by the Group's auditors.

Queries:

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23 November 2018

Sponsor
Merrill Lynch South Africa (Pty) Limited