

Liberty Holdings Limited
Registration number 1968/002095/06
Incorporated in the Republic of South Africa
Share code: LBH
ISIN code: ZAE000127148
("Liberty Holdings" or "the Group")
LIBERTY HOLDINGS LIMITED

OPERATIONAL UPDATE FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

SHAREHOLDER VOTE REFLECTS STRONG SUPPORT FOR ACQUISITION OF THE NON-CONTROLLING INTERESTS IN LIBERTY BY STANDARD BANK

At the general meetings of ordinary and preference shareholders held on 13 October 2021, Liberty's non-controlling shareholders overwhelmingly approved the proposed transaction announced on 15 July 2021, whereby Standard Bank Group (SBG) is proposing to buy 100% of Liberty Holdings Limited and to integrate Liberty more closely into the greater group. Should the relevant regulatory authorities also approve the proposed transaction with SBG, we anticipate the finalisation of all conditions precedent in the first quarter of 2022, which is in accordance with timelines provided in the combined circular to Liberty shareholders issued on 13 September 2021. SBG and Liberty have enjoyed a "special relationship" since 1974. The proposed transaction represents a natural progression in this special relationship, increasing the integration and ability to collaborate to provide the best financial service offerings to clients through the most efficient means.

The positive sales trends seen in the first half of 2021 continued into the third quarter. Group long-term insurance indexed new business sales for the nine months to 30 September 2021 of R6 801 million reflected a 30,9% increase over comparative period sales of R5 194 million. This increase is mainly due to SA Retail indexed new business sales of R5 968 million having increased by 29,0%, underpinned by good growth in recurring embedded banking, risk and investment product sales and continued growth in single premium conventional annuity and Evolve investment plan sales. The mix of new business sales and margin however remain a challenge, with a key focus maintained on managing the recurring expense base in a disciplined manner with continued investment into the Group's strategic initiatives. Liberty Corporate indexed new business of R567 million was 57,5% above the comparative period, with good recurring and single premium growth impacting positively. Liberty Africa Insurance indexed new business of R266 million was 27,9% above the comparative period, mainly attributable to increased group life assurance, funeral and pension business in the Kenya and Botswana operations.

Mortality claims for the Group increased significantly during the third quarter due to the severity of the third wave of the Covid-19 pandemic in South Africa and subsequent waves in the various African territories in which the Group operates. The pandemic reserve set aside in 2020 and 2021 has been utilised to absorb the relevant risk experiences across SA Retail, Liberty Corporate and Liberty Africa, and specific qualifying pandemic related expenditure. The risk component of the pandemic reserve was depleted by 30 September 2021. In addition, risk claims on short contract boundary business which represents claims that were not covered through the pandemic reserve and not anticipated in the pricing of these books of business have been incurred. Uncertainty related to the evolution and impact of the pandemic and associated waves remains. Reassessment of the prospective pandemic reserve is underway taking account of the possibility of further waves, progress with vaccination rollouts and other developments relating to the pandemic.

The Group remains well capitalised. The Solvency Capital Requirement (SCR) cover ratio of Liberty Group Limited, the Group's main long-term insurance licence, on 30 September 2021 was 1,74 times (31 December 2020: 1,81 times). The SCR cover ratio remains close to the mid-point of the Group's target range, underpinning our ability to fulfil our promises to clients and other stakeholders.

Group total assets under management of R838 billion has grown by 8,0% since 31 December 2020, largely due to favourable investment market performance and group net customer cash inflows.

Group net external third party cash inflows remained strong at R15,6 billion, primarily due to STANLIB's net external third party cash inflows of R17,0 billion which were slightly lower than last year.

Conclusion

We continue to work hard to fulfil our purpose in making our clients' financial freedom possible, particularly in the context of the prolonged Covid pandemic. Our capital base has allowed us to meet the challenges that Covid brings, and we are well placed to meet the continuing strains of the pandemic. We expect that we can maintain the sales growth that we have achieved this year. We remain confident that our strategy will deliver an increasingly good client and adviser experience.

We expect that the existing strong alignment of Standard Bank and Liberty's goals should allow for an accelerated and seamless integration of the businesses.

This operational update for the nine month period ended 30 September 2021 has not been audited or reviewed by the Group's auditors.

Queries:

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18 November 2021

Sponsor
Merrill Lynch South Africa (Pty) Limited t/a BofA Securities