

LIBERTY HOLDINGS LIMITED

2010 INTERIM RESULTS

Bruce Hemphill, CEO



Agenda

 Macro factors

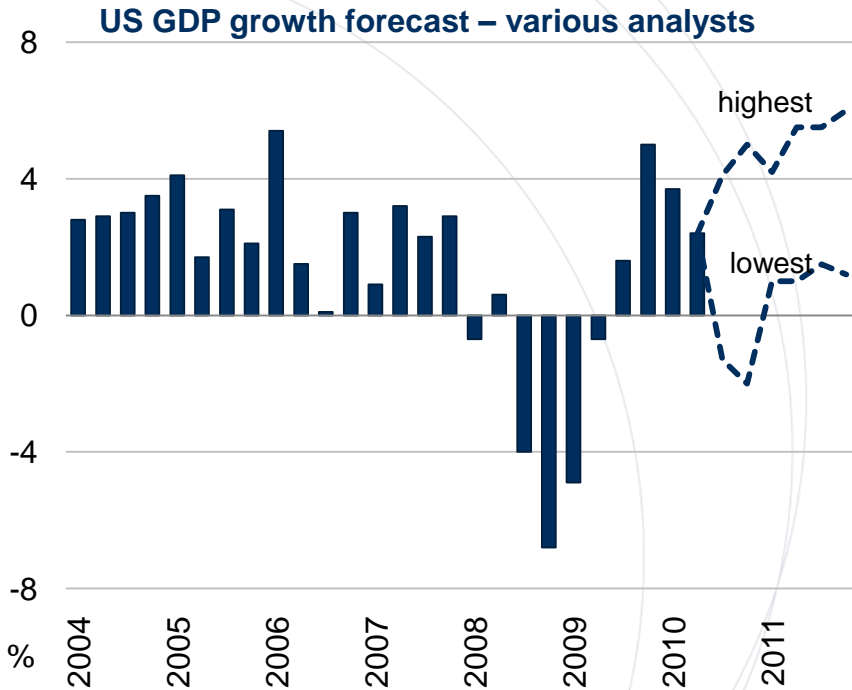
 Strategic focus areas

 Financial performance

 Conclusion

Macro factors

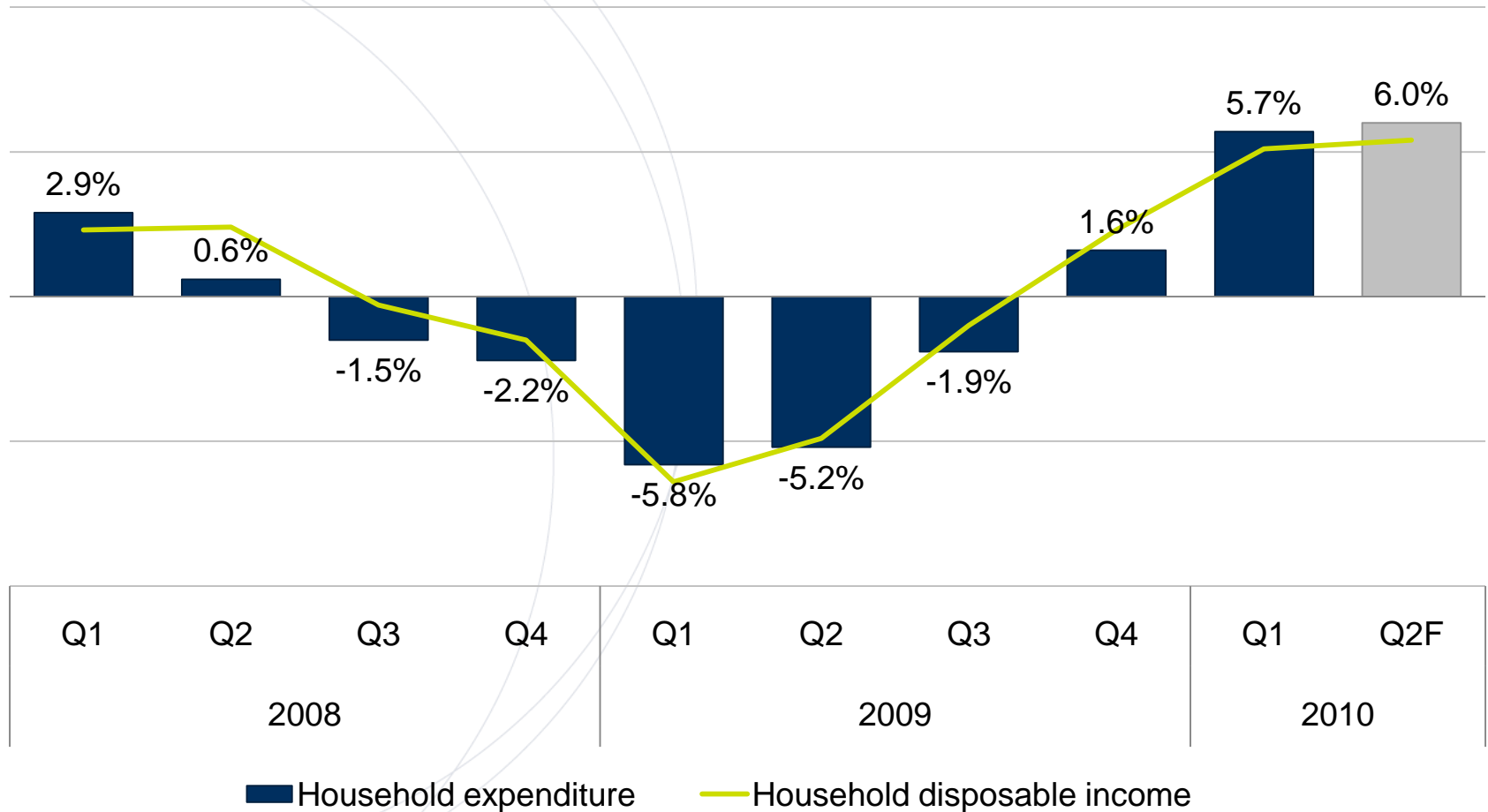
Global economic conditions remain uncertain



Key points

- Possible “double-dip” recession in US
- Euro-wide Bank stress test
- US housing sector relapse
- Sovereign risk crisis in Europe

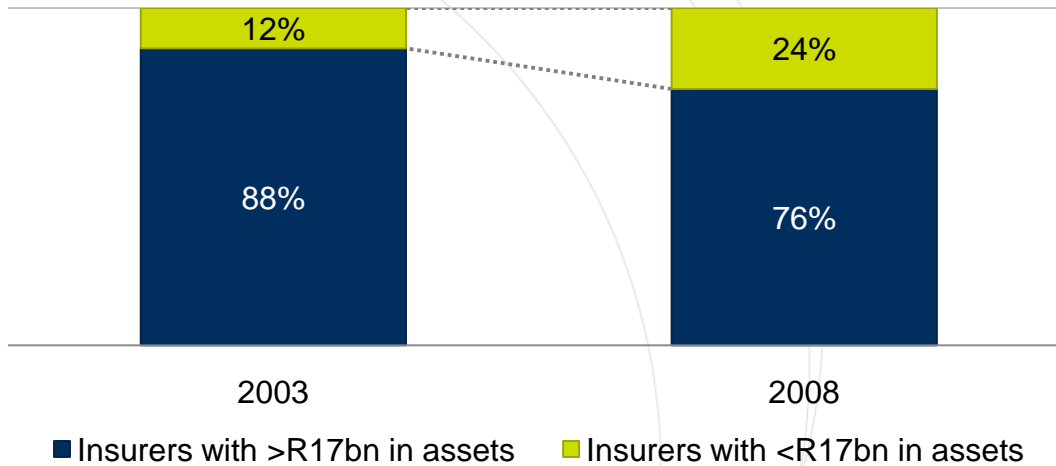
South African consumer remains under pressure



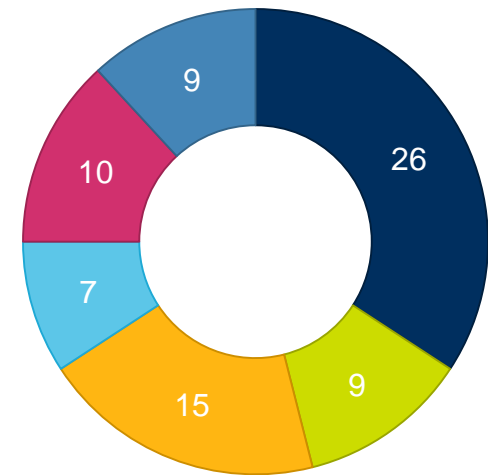
Source: South African Reserve Bank: actuals; Liberty analysis: forecast

Competitive environment

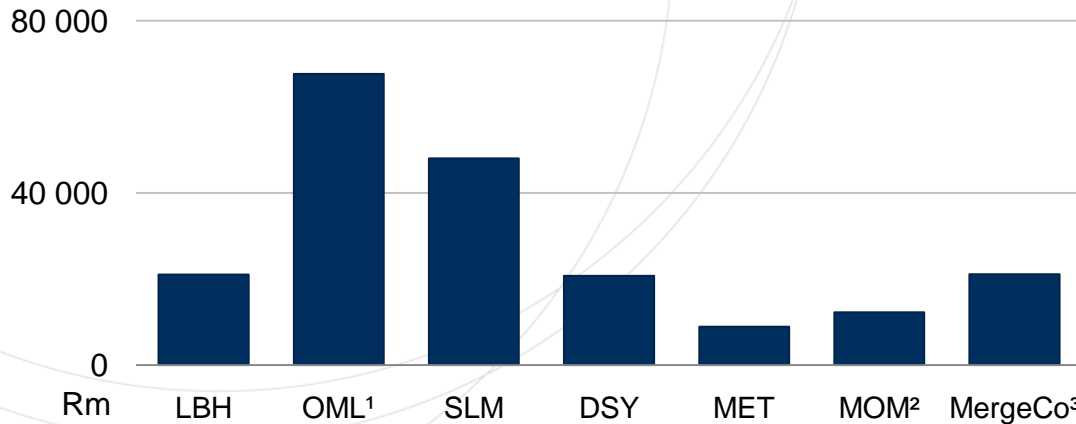
Individual long term premiums between large and small players



It's no longer a game between the Top 5



Market value as at 30 Jun 10



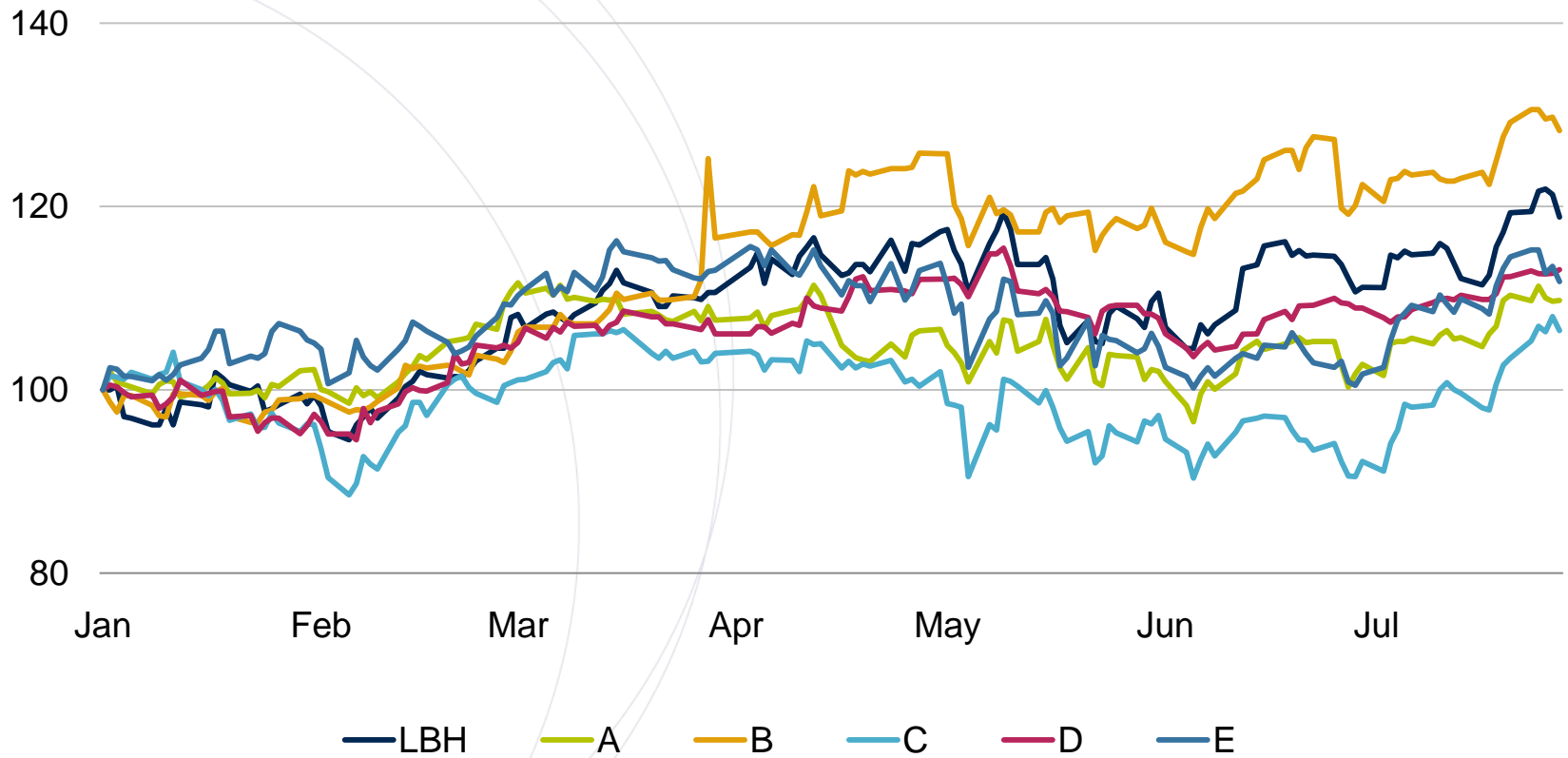
Breakdown of long term insurers (total ±76)

- Traditional insurers
- Niche insurers
- Linked insurers
- Cell captive insurers
- Assistance insurers
- Insurers in run off

1. Group market value; 2. As at 30 March 2010; 3. Estimated

Source: Inet, ASISA, Standard Bank analysis

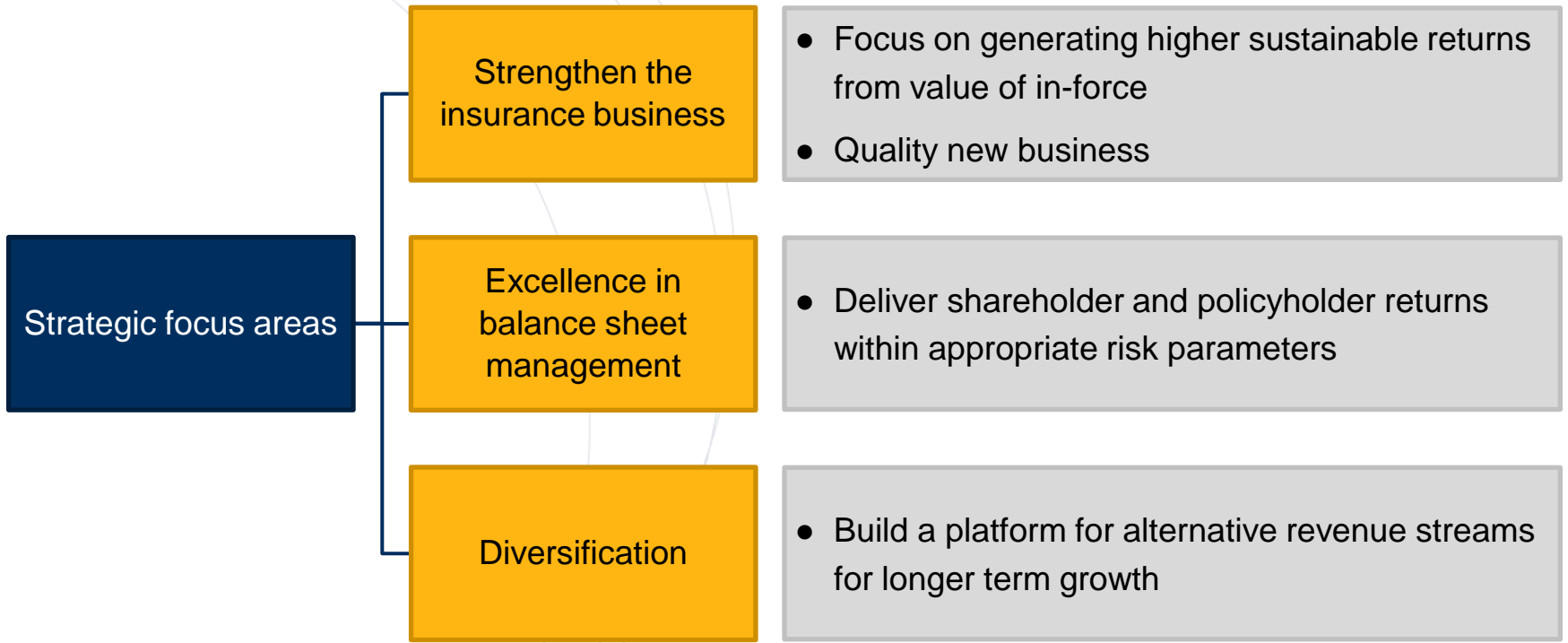
Share price performance vs industry peers



Liberty's share price has performed well relative to peers

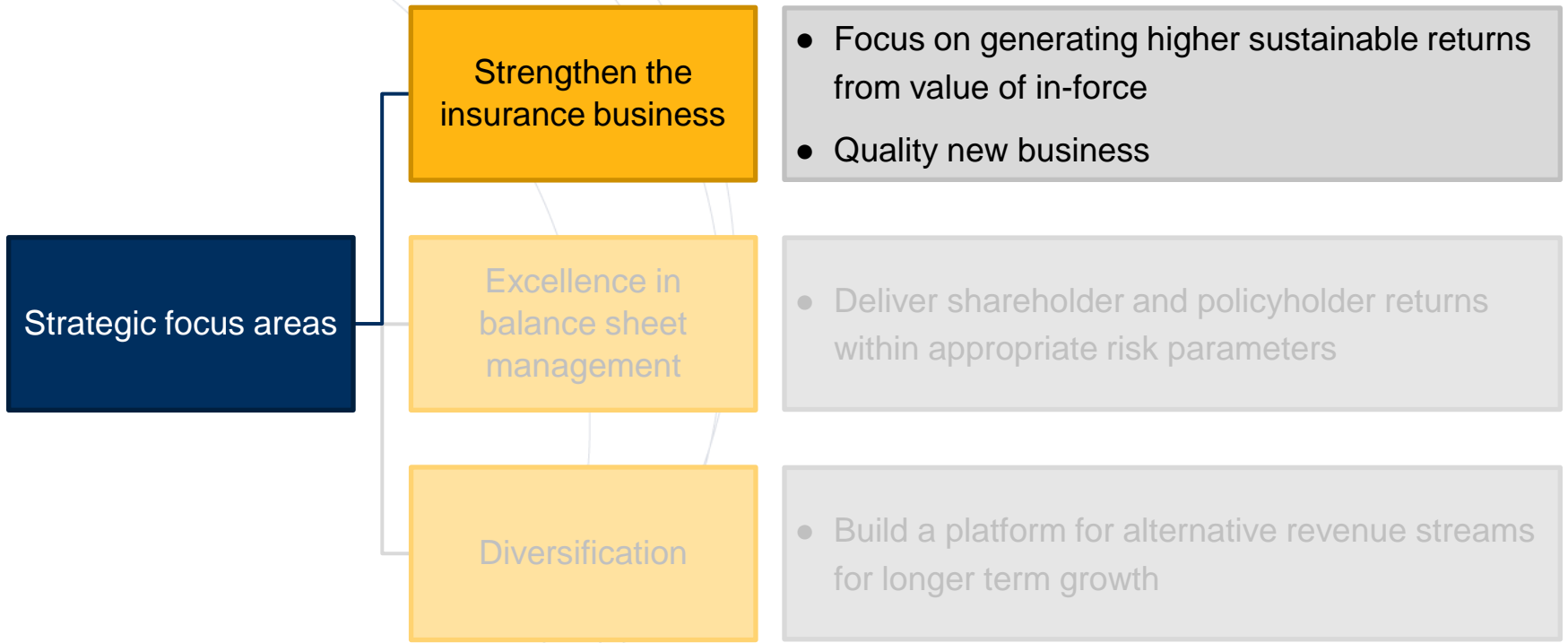
Strategic focus areas

Strategic focus areas



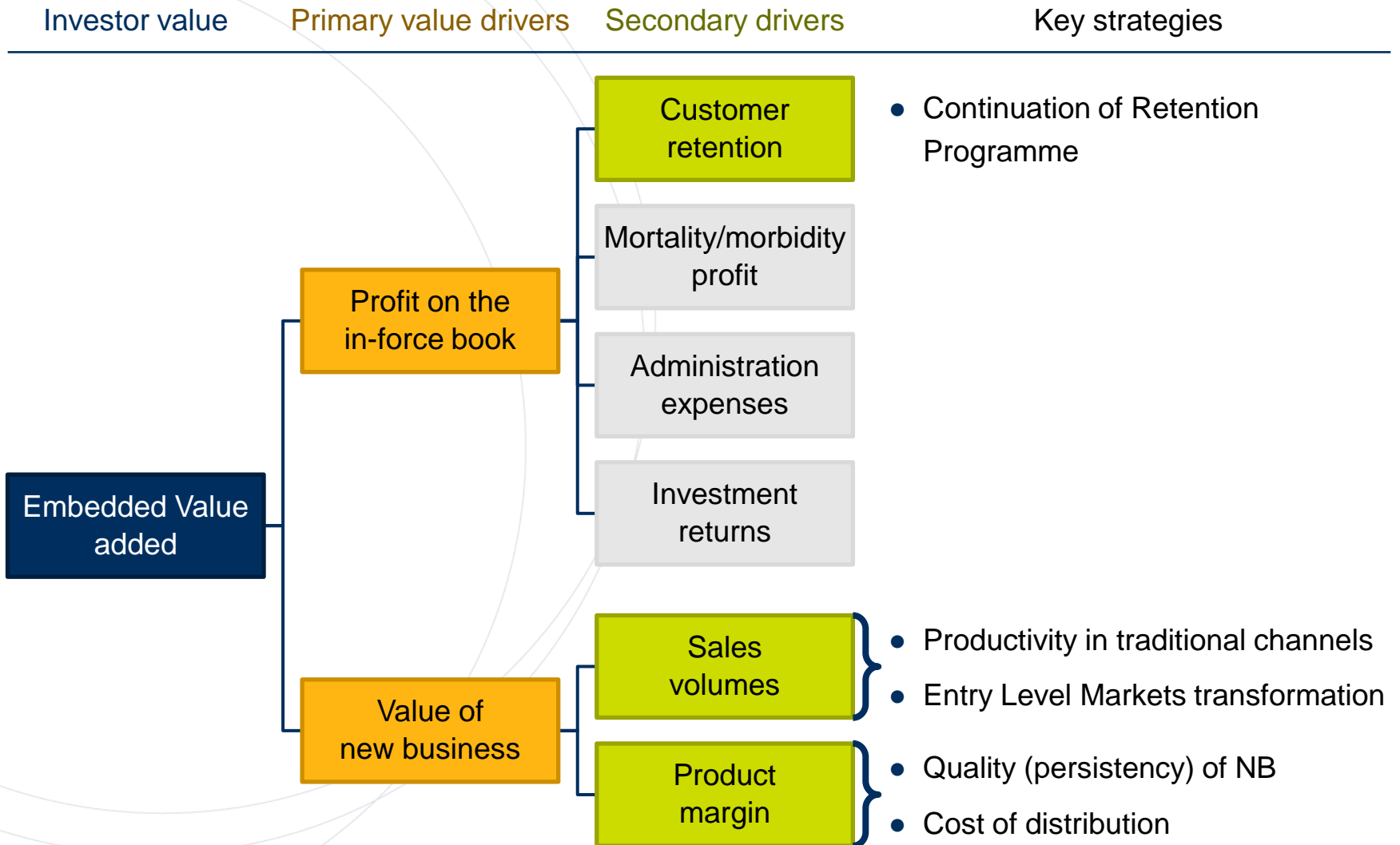
Three strategic focus areas driving value

Strategic focus areas

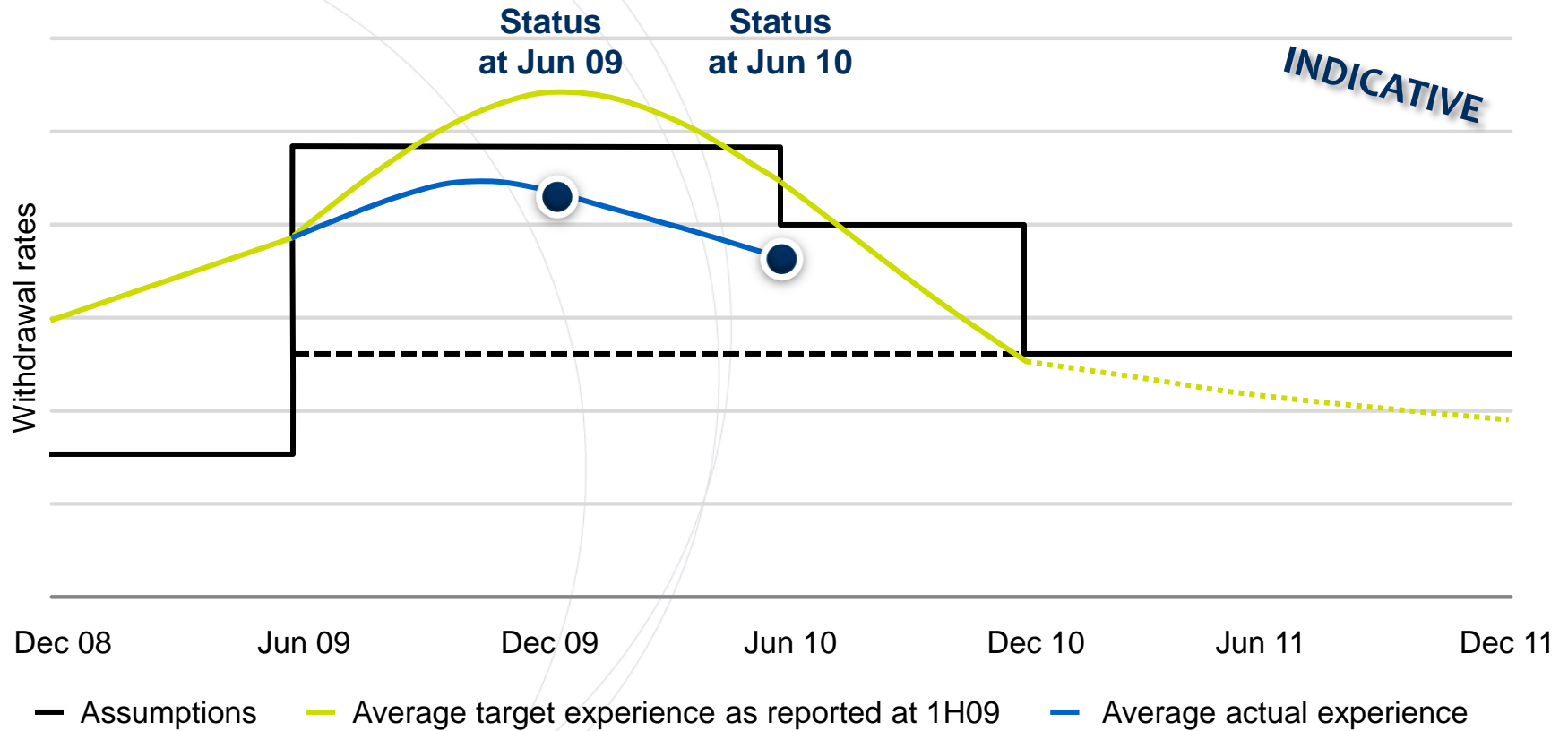


Three strategic focus areas driving value

Key Retail SA strategies are aligned to shareholder value creation



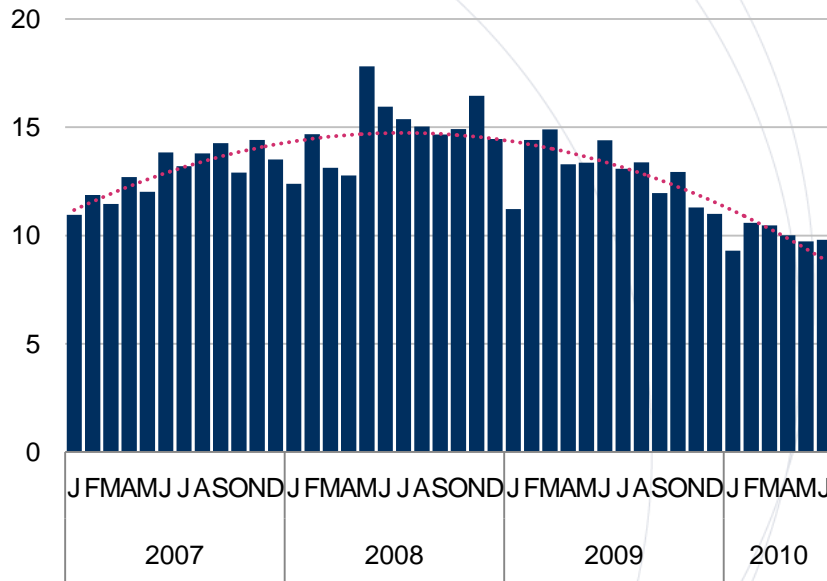
Progress summary: customer retention programme



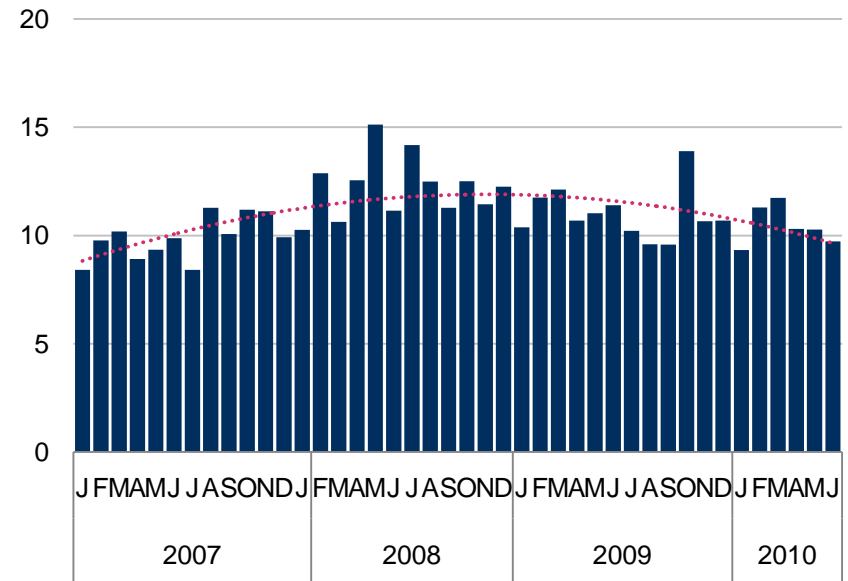
On strategy, on schedule

Progress: retention

Risk policy withdrawals (000 pm)



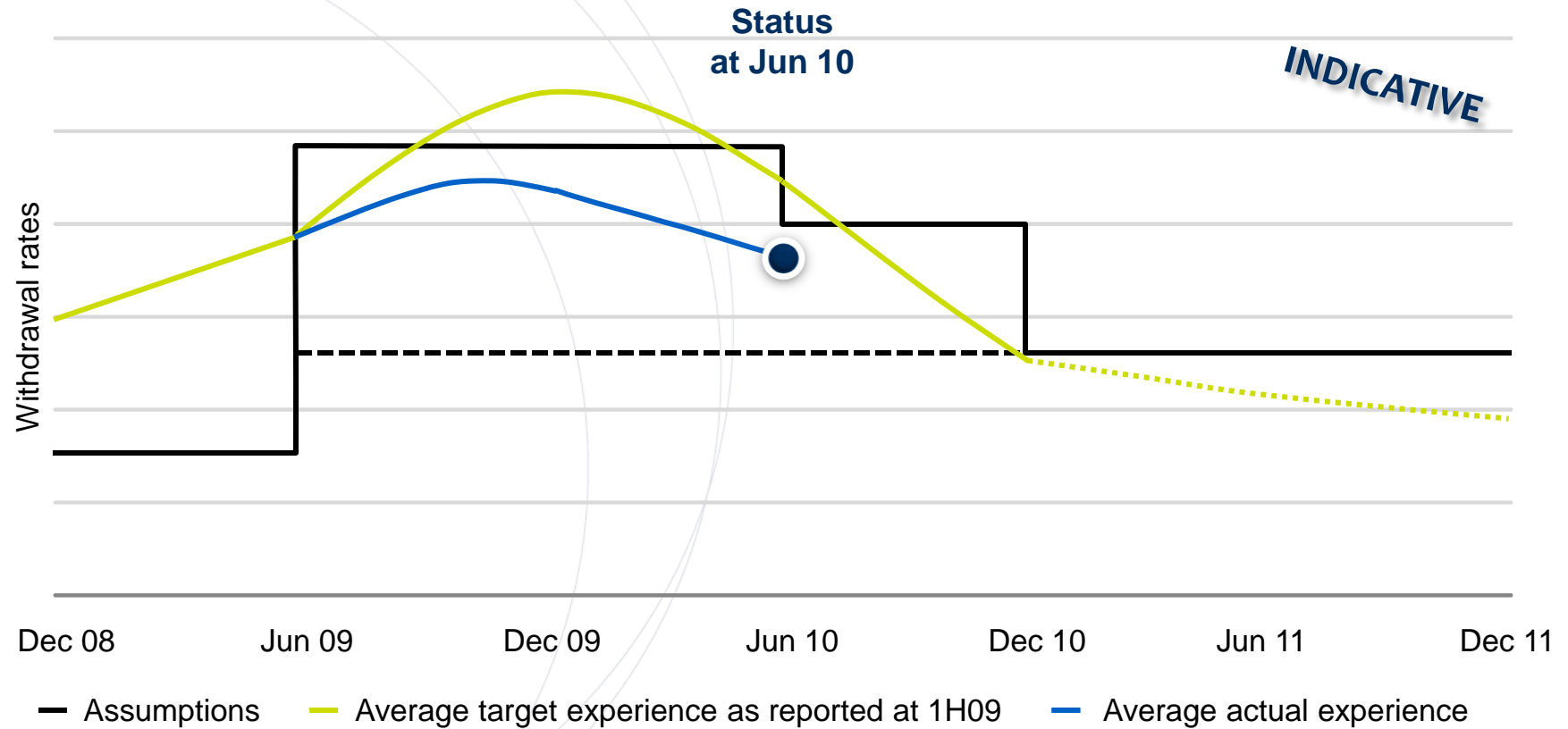
Investment withdrawals (000 pm)



- Lapse rates experienced **below long term assumption**
- Risk policy withdrawals in June 2010 were the **lowest since January 2007**

- No deterioration, area of ongoing improvement

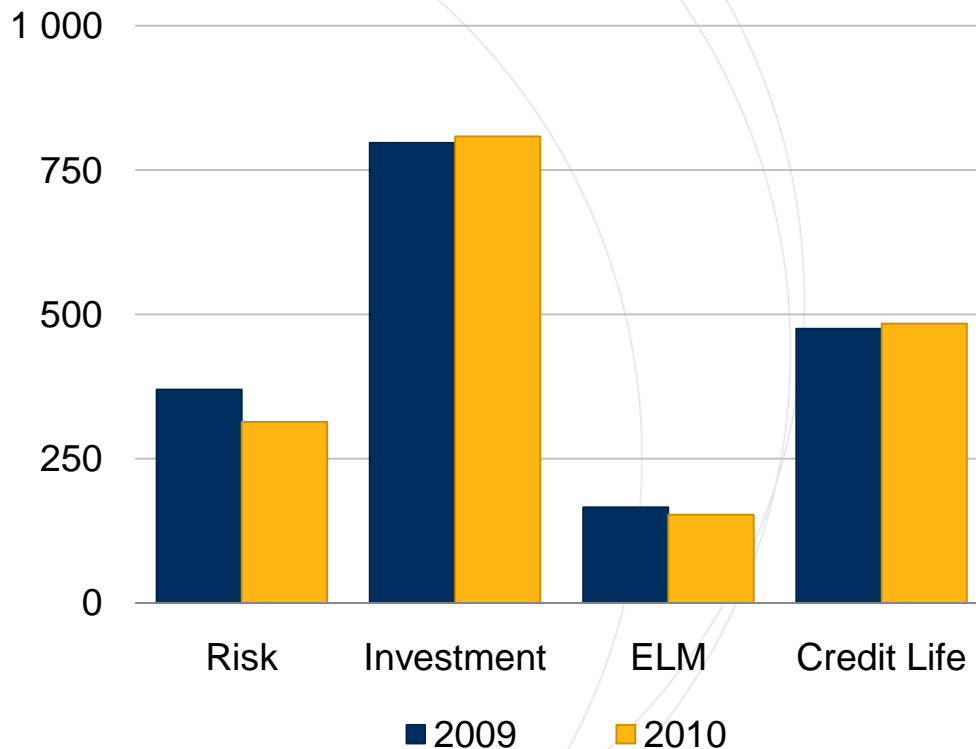
Progress summary: customer retention programme



On strategy, on schedule

Sales and distribution

Indexed retail new business



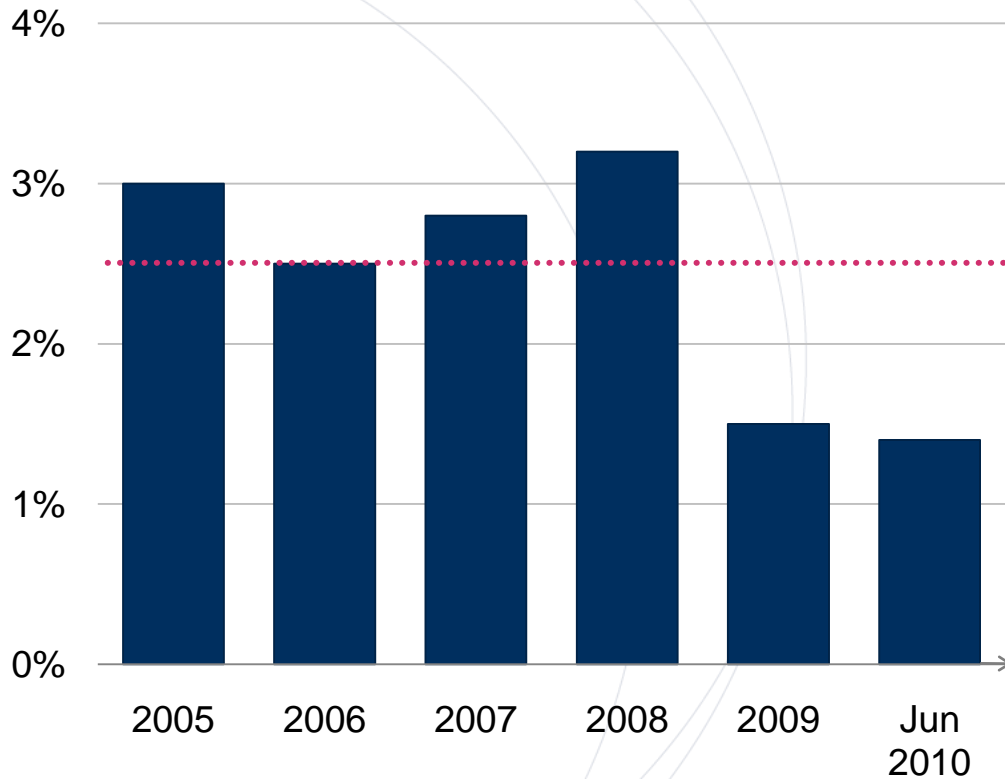
- Strong distribution capacity focused on quality
- Reduction in sales of risk business in line with customer retention focus
- Capacity constraints: Guaranteed Capital Bonds (R850m lower than in 2009)
- ELM transformation programme underway

Continued areas of focus

- Sales productivity
- Appropriate cost of acquisition

Emphasis on profitability over volume fundamental to shareholder value creation

Embedded Value margin on new business



- Margin erosion occurred in 2009 due to the increase in long term persistency assumptions, as well as a relative increase in acquisition costs
- Current strategic focus areas are expected to start leading to a recovery in margin by December 2011

Management confident of margin uplift in the medium term

Retail SA Insurance – conclusion

- Persistency strategy delivering
- ELM transformation on schedule
- New business volumes reasonable given circumstances
- Focus on improving sales force productivity and quality of new business

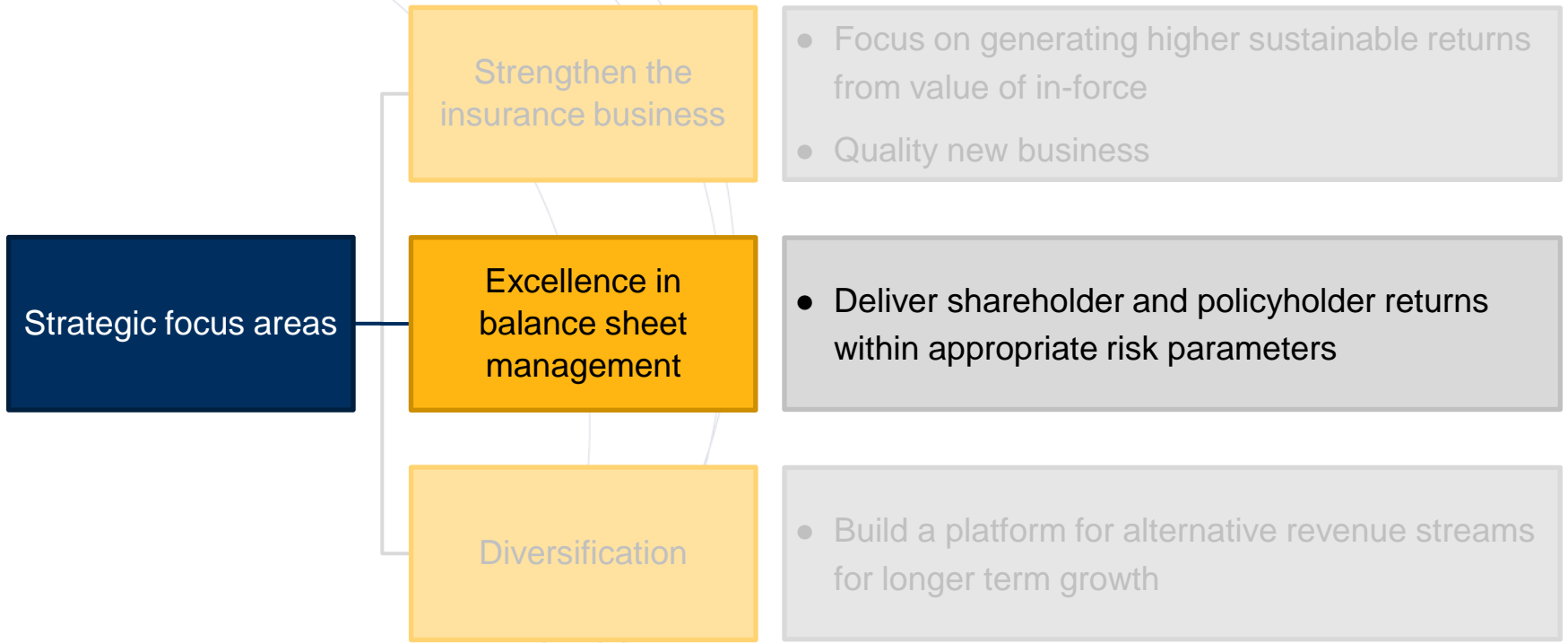
Insurance business well positioned

Liberty Corporate

- Improved financial results
- 20% increase in indexed new business
- Net cash outflow position has improved but still impacted by continued job losses
- Business focus is operational efficiencies
- Industry recognition for excellence

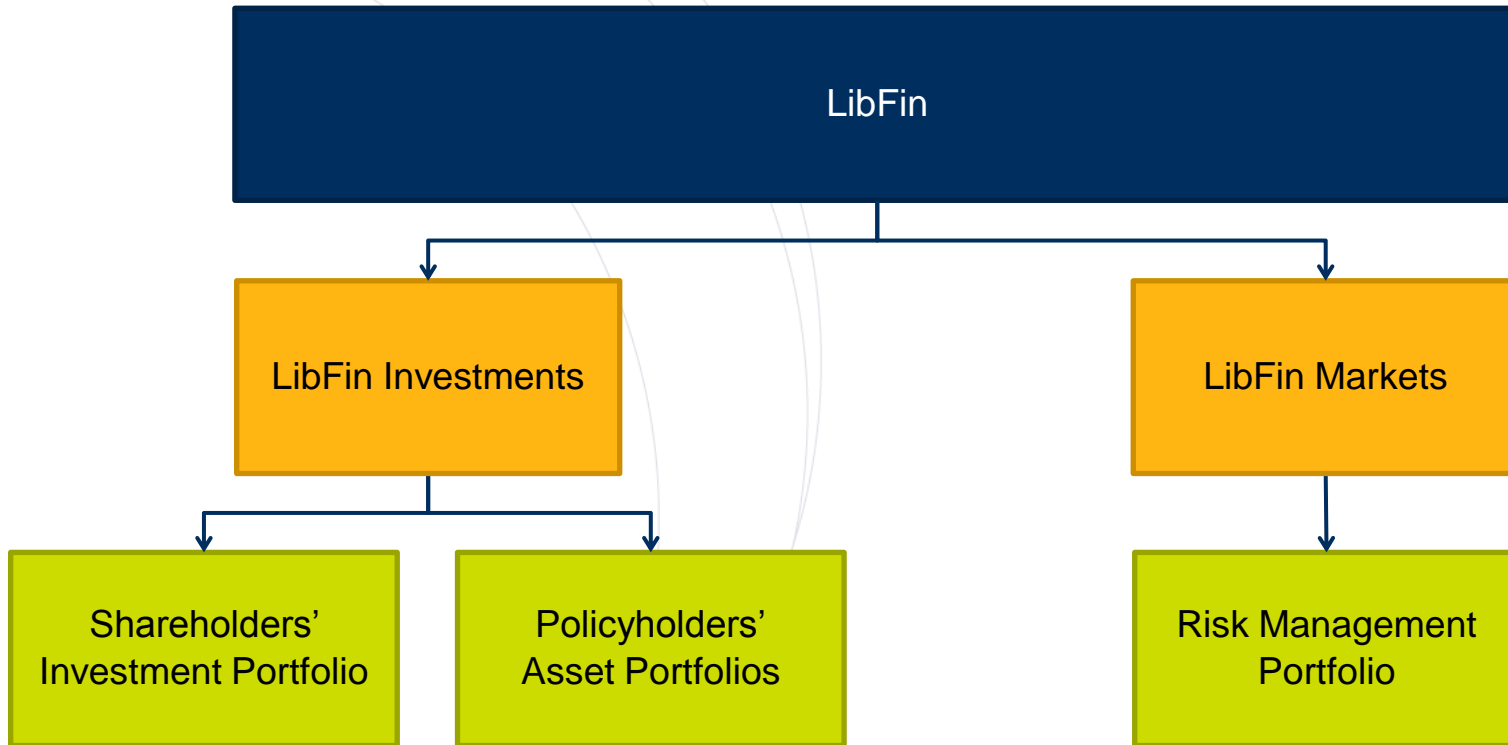
Substantial all round progress

Strategic focus areas



Three strategic focus areas driving value

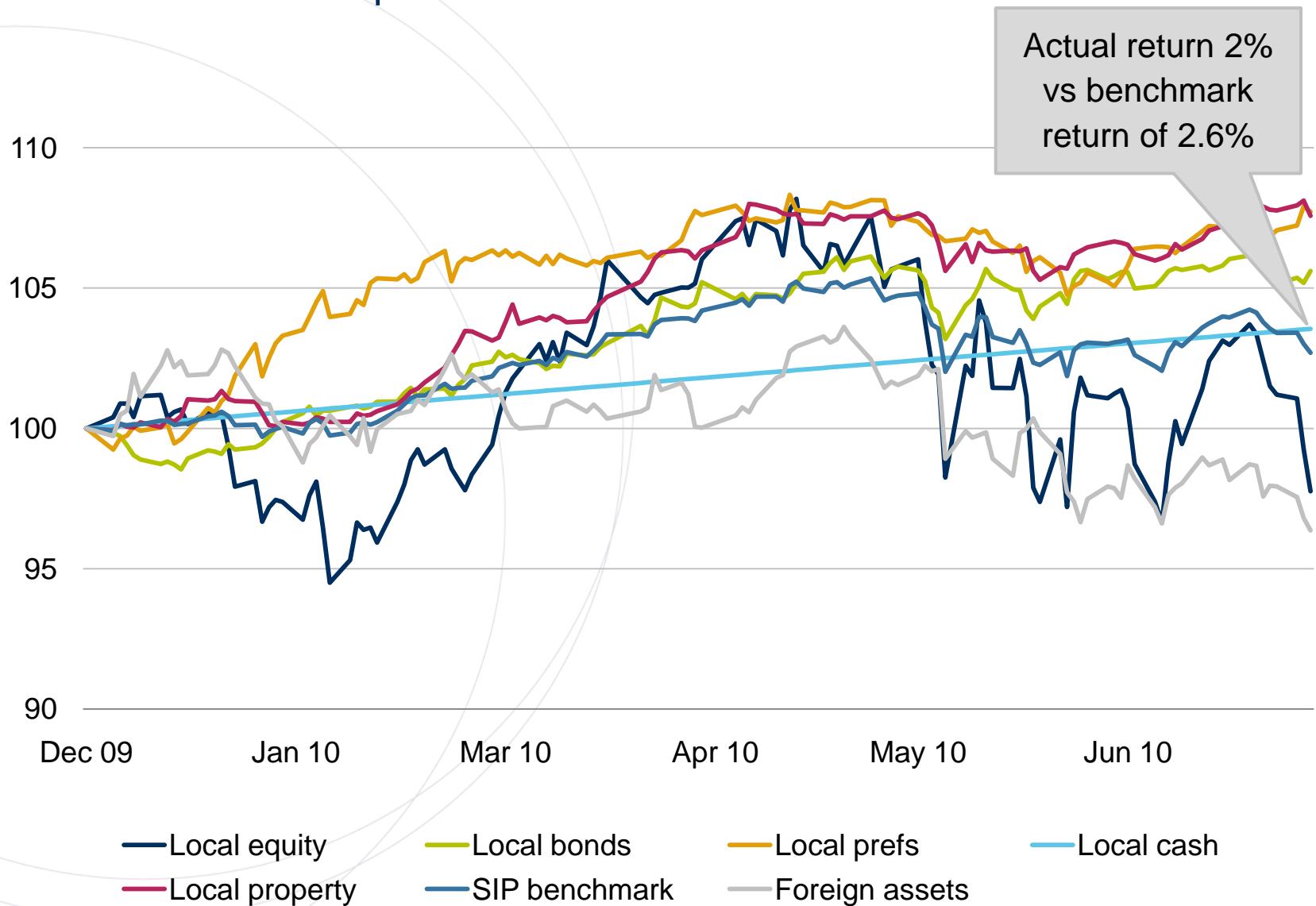
LibFin structure



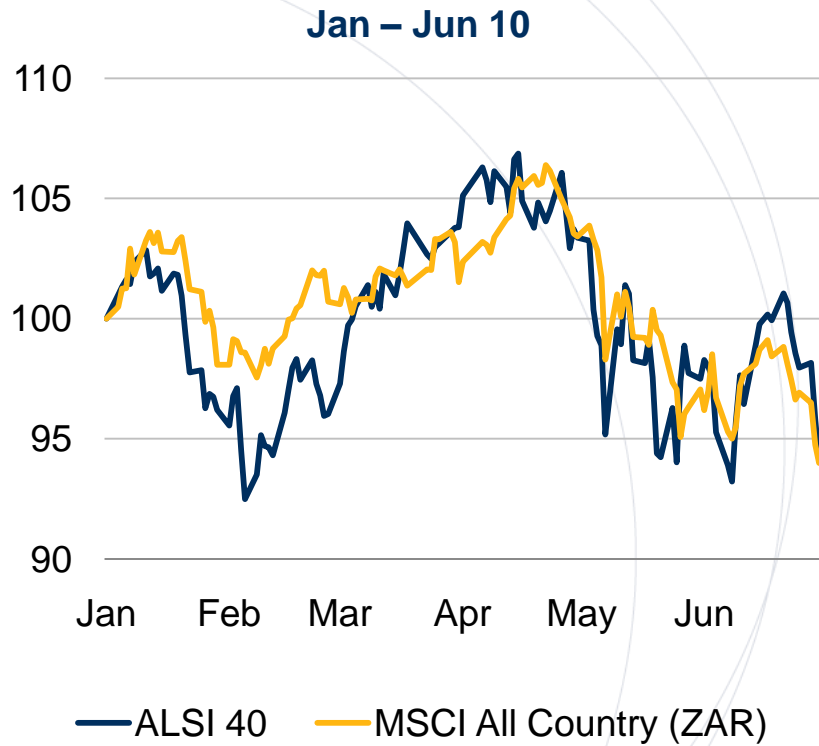
- Provided improved investment resilience in difficult market conditions

- Group's balance sheet within risk appetite and delivering to expectations

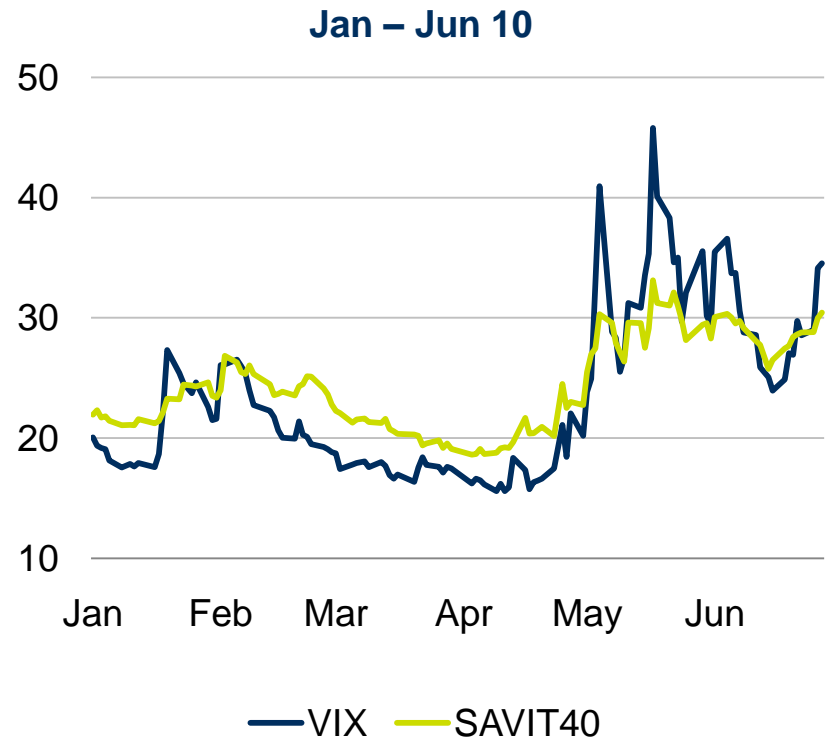
LibFin – asset class performance benchmarks



LibFin Markets



- Poor equity returns



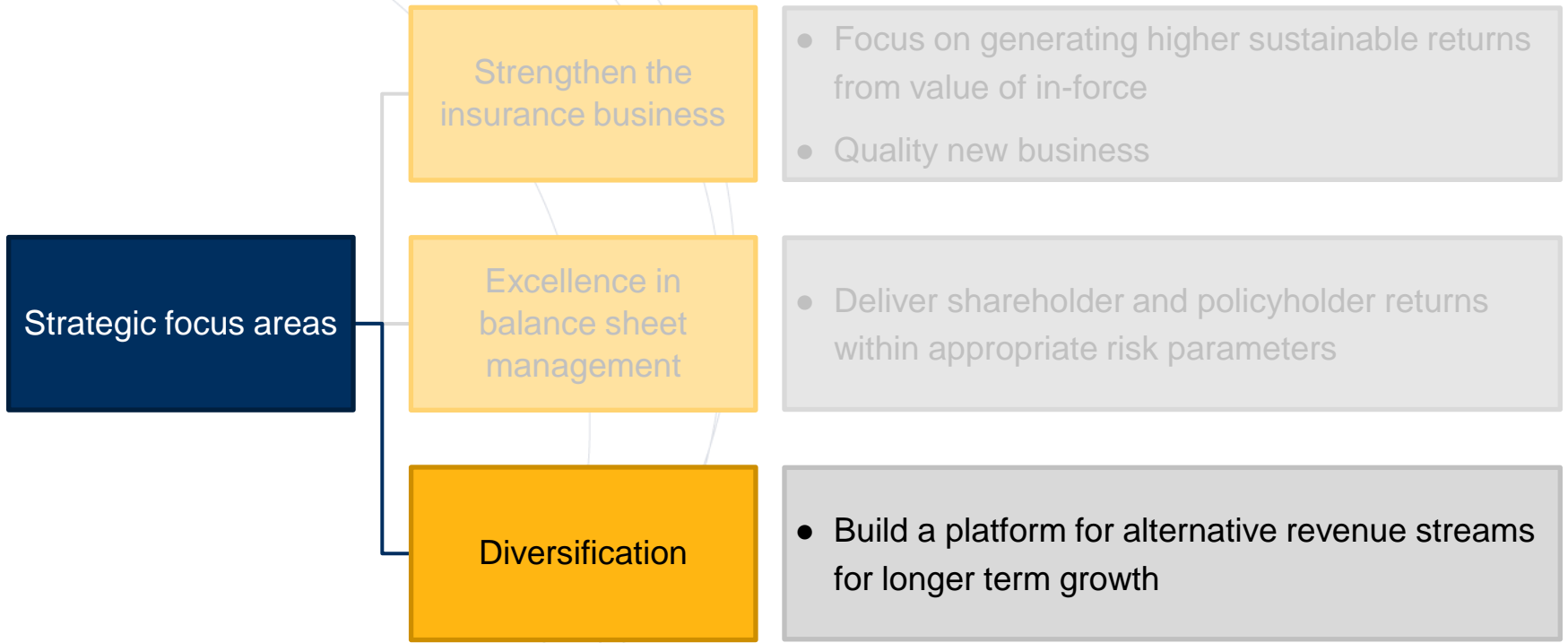
- Unusually high volatility

Positive result in challenging market conditions

LibFin

The time and effort invested in LibFin is paying dividends

Strategic focus areas



Three strategic focus areas driving value

STANLIB

- Profit after tax grew by 8%
- Assets under management grew to R321bn
- Net cash flows increased to R6.5bn
- Investment performance
 - Equity investment performance has continued to improve
 - Listed properties strong
 - Fixed income strong

Strong base to build successful 3rd party asset management
business

Africa, Health, Properties

Africa

- Finalising proposed CfCIH acquisition
- Building full range of wealth business lines – targeting 2011

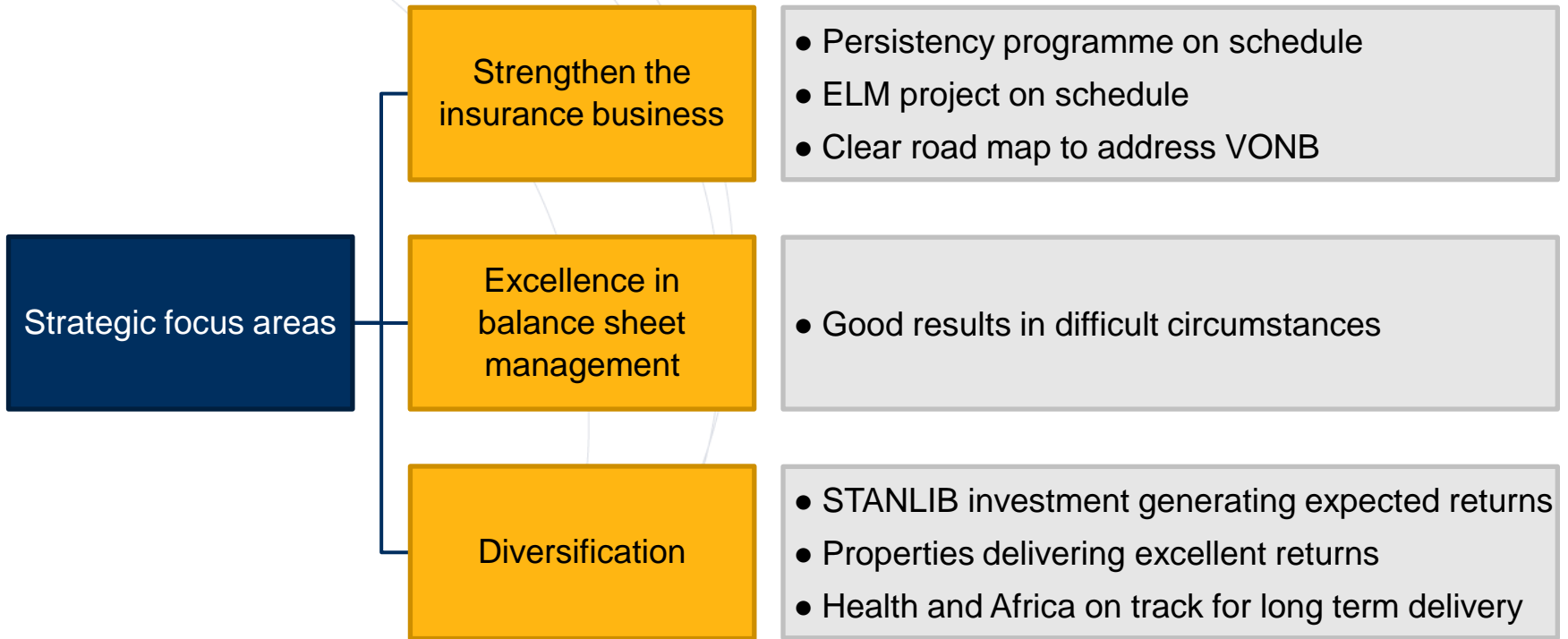
Health

- Africa Health business continues to deliver targeted membership volumes – increased by 22% on FY09
- Strong revenue growth offset by cost of capacity build and membership attrition in SA

Properties

- After tax profit up more than 50% over past 3 years
- Investment returns above industry benchmark for direct property
- African footprint: developing Lusaka's first fully enclosed multi-purpose complex

Strategic focus areas



Three strategic focus areas driving value

Financial performance summary

- BEE normalised headline earnings at 1H10 over R1bn
- Strong turnaround in group net cash flows with positive inflows of R11.5bn
- Cash distribution of 164 cents per share maintained
- Embedded Value per share up to R84.62 from R84.32 at FY09, with ROGEV of 8%
- LGL capital adequacy level strong at 2.8 times cover
- Value of new business down 5% to R115m from 1H09

A good result in a challenging environment

Financial performance

Financial performance dashboard

Earnings

Operational earnings



Shareholders' Investment Portfolio



Insurance sales, new business strain



Assets under management



Dividends



Group Embedded Value

Expected return \pm variances,
assumption changes



Return on NAV, investment variances,
economic assumption changes



Value of new business



Value of non-life subsidiaries



Group financial summary

Rm (<i>unless stated otherwise</i>)	Jun 10	Jun 09	% Δ
BEE normalised headline earnings	1 007	(1 207)	>100
Operational earnings	843	(159)	>100
LibFin Investments	164	(529)	>100
LibFin equity de-risking	-	(519)	>100
BEE normalised Group Embedded Value per share (R) ¹	84.62	84.32	0
Embedded Value of new business	115	122	-5
Indexed new business	2 135	2 111	1
Net customer cash flows	11 468	(1 416)	>100
Assets under management ¹	372 456	362 599	3
LGL CAR cover ¹	2.79	2.81	-1
Net shareholder cash flows ²	1 015		
Cash distribution (cents per share)	164	164	0

1. Comparative Dec 09
2. Before dividends

Core earnings estimate

Rm	Jun 10	Jun 09	% Δ
BEE normalised headline earnings	1 007	(1 207)	>100
Adjustments:			
LibFin earnings	(370)	1 159	n/a
Assumption changes	101	501	-80
Non-recurring items	(36)	-	n/a
Operational core earnings	702	453	55
Normalised returns on Shareholders' Investment Portfolio	568	504	13
Asset portfolio	632	568	11
Bond interest	(64)	(64)	0
Total normalised core earnings	1 270	957	33

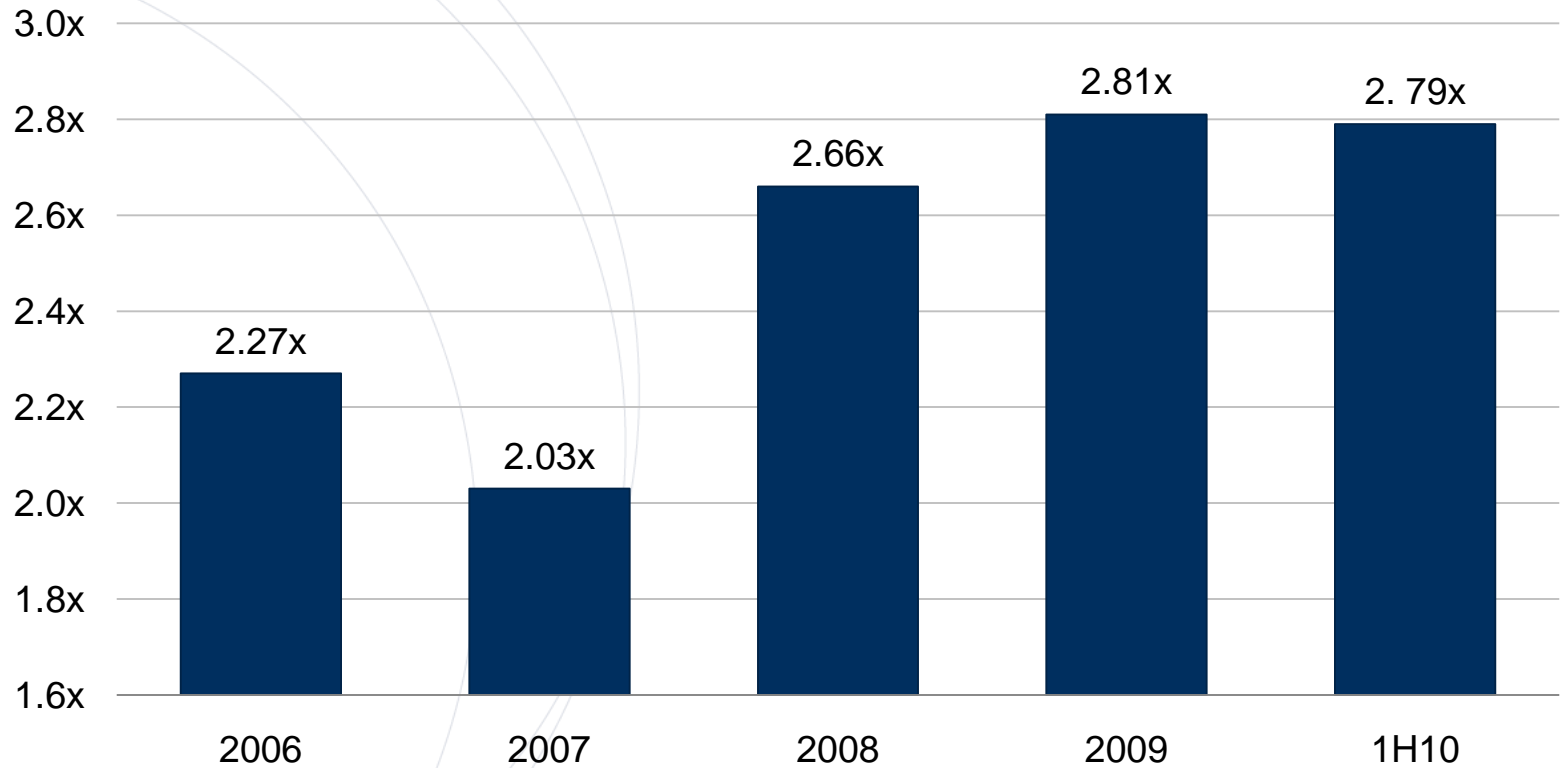
Business unit BEE normalised headline earnings

Rm	Jun 10	Jun 09	% Δ
Retail SA Insurance	472	(222)	>100
Liberty Corporate	65	25	>100
LibFin Investments	164	(529)	>100
LibFin Markets	194	(111)	>100
LibFin equity de-risking	-	(519)	>100
STANLIB	164	158	4
Liberty Properties	43	34	26
Liberty Africa	2	14	-86
Liberty Health	(11)	0	n/a
Centre - net	(86)	(57)	-51
BEE normalised headline earnings	1 007	(1 207)	>100
BEE normalised headline earnings per share (cents)	351.9	(421.9)	>100

BEE normalised Group Embedded Value profit

Rm (<i>unless stated otherwise</i>)	Jun 10	Return on GEV %	Jun 09	Return on GEV %
LGL Embedded Value				
Expected return on the VIF	749	6.3	676	5.0
Investment variances and economic assumption changes	(539)	-4.4	(1 372)	-9.8
Return on net worth	269	2.2	(728)	-5.3
Operating variances and assumption changes	107	0.9	(2 011)	-14.2
Value of new business	112	0.9	122	0.9
Total LGL Embedded Value	698	5.9	(3 313)	-22.9
Other businesses	223	1.9	(408)	-3.0
Africa VIF	2	0.0		
Earnings of non-life subsidiaries	196	1.6	192	1.4
Value of non-life subsidiaries	50	0.4	(600)	-4.4
Other	(25)	-0.2		
Group Embedded Value profit	921	7.8	(3 721)	-25.5

LGL CAR cover



LGL TCAR	3 945*	3 510	3 020*	2 542*	2 562
LGL OCAR	3 315	4 102*	2 204	2 515	2 579*
LGL "Group" CAR cover	1.99x	1.80x	2.14x	2.19x	2.22x

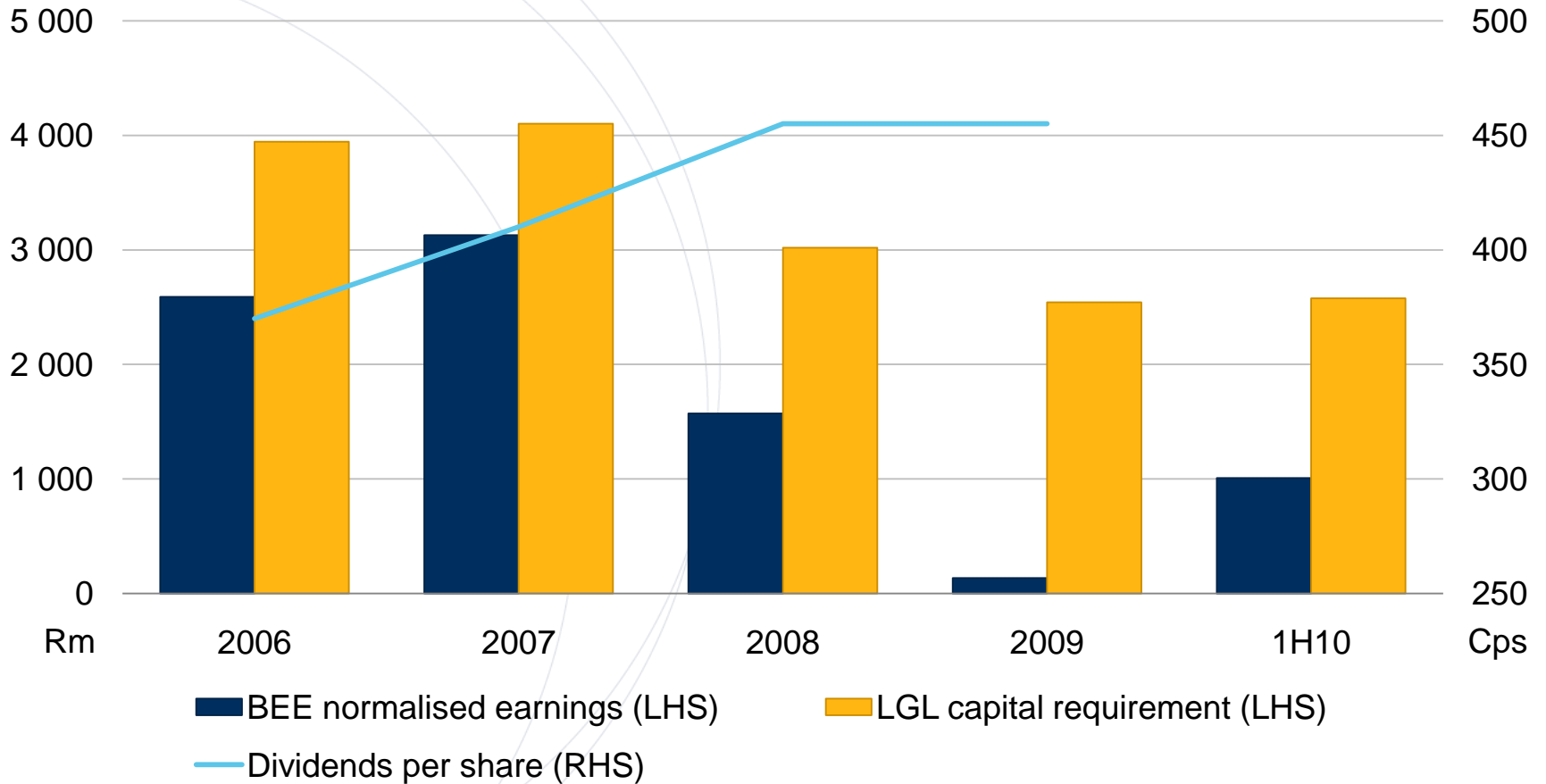
* Applicable CAR

Dividends

Per dividend cycle - cents per share	Jun 10	Dec 09
Interim	164	164
Final	n/a	291
Total	164	455

As declared per calendar year - Rm	Jun 10	Dec 09
Interim	469	469
Final	n/a	832
Total	469	1 301
BEE preference dividends	(42)	(70)
Net distribution	427	1 231

Capital management and dividend sustainability



Tighter balance sheet management \equiv lower CAR
 \equiv sustainable dividends

Retail SA Insurance – headline earnings

Rm	Jun 10	Jun 09	% Δ
Expected profit	787	627	26
Release of margins	487	384	27
Management fees	300	243	23
Variances and assumption changes	(227)	(920)	75
Operating variiances	(59)	(224)	74
Assumptions and modelling changes	(68)	(696)	90
ELM	(100)	-	100
Premium escalations	161	159	1
Credit life	84	65	29
New business strain	(215)	(249)	14
Non CPP expenses	(79)	(78)	-1
Other	41	58	-29
Tax	(80)	116	n/a
Headline earnings	472	(222)	>100

Retail SA Insurance – persistency variances and reserves

Rm	Jun 10	Jun 09	% Δ
Persistency operating variances	(58)	(365)	+84
Less: release from reserve	50	125	-60
Assumption and modelling changes	-	(712)	n/a
Total	(8)	(952)	99

Rm	Jun 10	Dec 09	% Δ
Reserves			
On balance sheet - short term persistency	357	407	12
- management actions	290	300	3
- ELM	120	-	n/a
Value of in-force - short term	400	400	0

Retail SA Insurance – key performance measures

Rm (<i>unless stated otherwise</i>)	Jun 10	Jun 09	% Δ
Gross sales	6 048	6 545	-8
Indexed new business	1 857	1 888	-2
Net customer cash flows	418	1 713	-76
Embedded Value of new business ¹	105	112	-6
Embedded Value new business margin (%) ²	1.3%	1.5%	-13

%	Jun 10	Dec 09
Margin at beginning of the year	1.5	3.0
Impact of economic changes	0.3	(1.0)
Impact of persistency	-	(1.2)
Other	(0.5)	0.7
Margin at end of the period	1.3	1.5

1. After cost of capital
2. Comparative Dec 09

Market performance

Asset class	Benchmark return %
LibFin Investments	
Local equity	-2.2
Local bonds	5.6
Local cash	3.5
Local preference shares	7.7
Local property	7.6
Foreign assets	-3.6
LibFin Markets	Absolute % point Δ
Volatilities	-7.0
Basis risk	-0.4

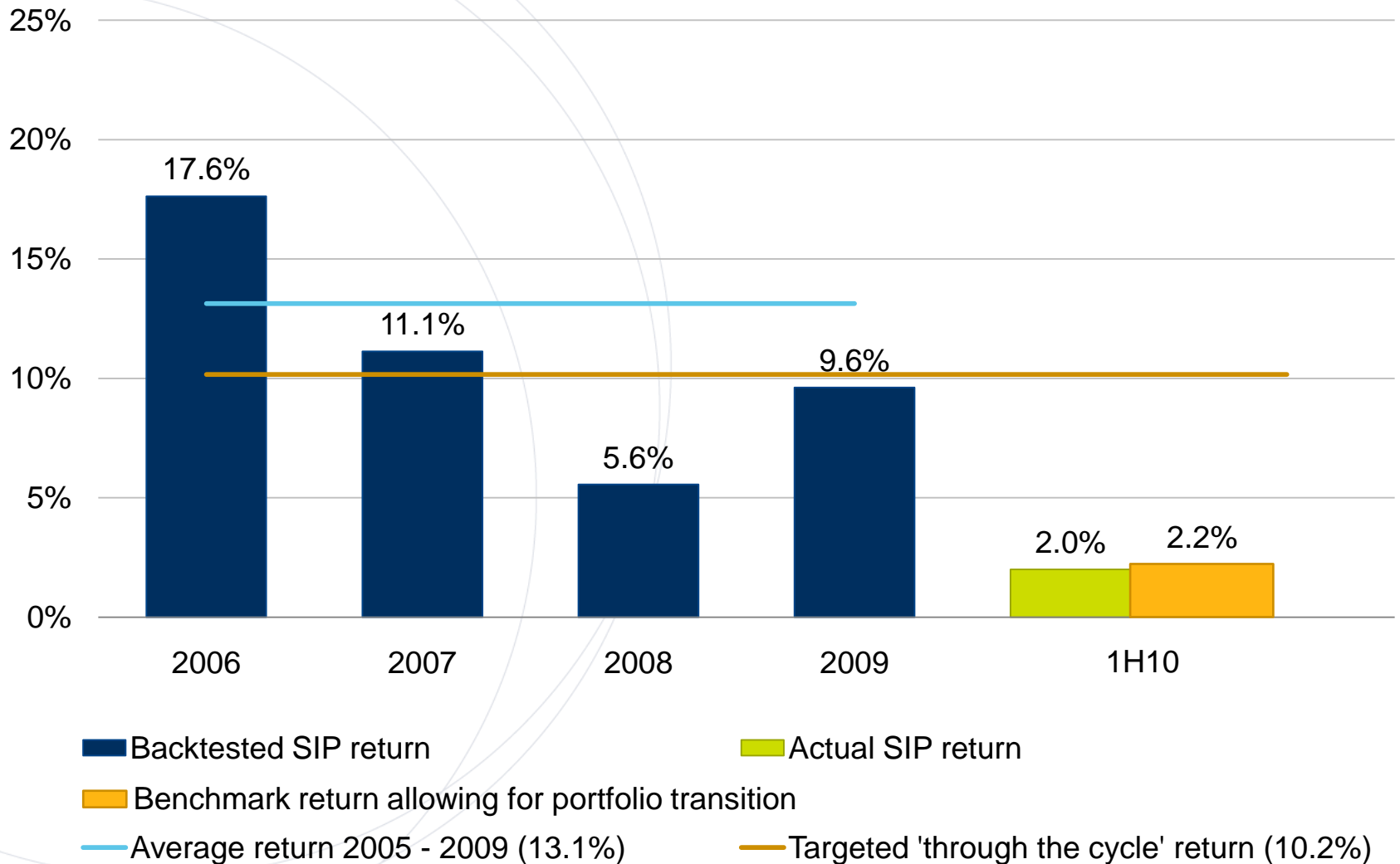
LibFin – headline earnings

Rm – net of tax	Jun 10	Jun 09	% Δ
LibFin Investments	164	(529)	>100
Main Shareholders' Investment Portfolio	322	(620)	>100
Bond interest, expenses and tax	(158)	91	n/a
LibFin Markets	194	(111)	>100
Equity de-risking	-	(519)	>100
Total	358	(1 159)	>100

LibFin – Shareholders' Investment Portfolio

Rm	Jun 10				Dec 09	
	Physical assets	90:10 book	Total	%	Total	%
Local equities	1 025	1 867	2 892	18	3 498	21
Local bonds	3 334	248	3 582	22	4 297	26
Local cash	3 708	585	4 293	26	4 490	27
Local preference shares	1 530	0	1 530	9	1 460	9
Local property	899	438	1 337	8	116	1
Foreign assets	1 986	727	2 713	17	2 651	16
Total	12 482	3 865	16 347	100	16 512	100

LibFin – illustrative returns on notional Shareholders' Investment Portfolio*



* Before tax

Liberty Corporate headline earnings

Rm	Jun 10	Jun 09	% Δ
Gross contribution	400	408	-2
Underwriting margin	165	147	12
Fee income	182	167	9
Pension businesses and other income	53	94	-44
Expenses	(281)	(328)	14
Amortisation of previously acquired business	(29)	(45)	36
Pre-tax operating profit	90	35	>100
Taxation	(25)	(10)	n/a
Headline earnings	65	25	>100

Liberty Corporate – key performance measures

Rm (<i>unless stated otherwise</i>)	Jun 10	Jun 09	% Δ
Gross sales	676	722	-6
Indexed new business	247	206	20
Net customer cash flows	(742)	(1 162)	36
Embedded Value of new business	1	6	-83
Embedded Value new business margin (%)*	0.1%	0.3%	-0.2%

* Comparative Dec 09

STANLIB – headline earnings

Rm	Jun 10	Jun 09	% Δ
Net fee income	520	484	7
Operating expenses	(316)	(277)	-14
Profit before investment income	204	207	-1
Other income	20	25	-20
Pre-tax profit operating before financing	224	232	-3
Preference dividends	(2)	(11)	82
Taxation	(59)	(68)	13
Headline earnings	163	153	7
Attributable to Liberty	164	158	4
Headline earnings	163	153	7
Preference shares	1	5	-80

STANLIB – key performance measures

Rm – net client cash flows	Jun 10	Jun 09	% Δ
Retail ex Money Market	1 130	3 722	-70
Retail life multi-manager	1 563	(66)	>100
Institutional ex Money Market	(7 547)	(17 043)	56
Money Market	11 304	8 667	30
3rd party net cash flows	6 450	(4 720)	>100

Excludes inter group cash flows

STANLIB – assets under management

Rm - AUM	Jun 10	Dec 09	% Δ
Retail	102 310	96 863	6
Institutional	135 302	149 003	-9
3 rd party	30 218	40 166	-25
Inter group	105 084	108 837	-3
Money Market	83 302	71 971	16
Total AUM	320 914	317 837	1
Average AUM	320 880	292 087	10

Liberty Properties headline earnings

Rm	Jun 10	Jun 09	% Δ
Gross profit	110	95	16
Property management	67	62	8
Asset management	16	11	45
Hotel management	3	4	-25
Property development	24	18	33
Investment and other income	3	3	0
Operating expenses	(55)	(53)	-4
Pre-tax operating profit	58	45	29
Taxation	(15)	(11)	-36
Headline earnings	43	34	26

Liberty Africa – headline earnings

Rm	Jun 10	Jun 09	% Δ
Attributable to Liberty	2	14	-86
Insurance operations	1	16	-94
Asset management	6	4	50
Health	0	1	-100
Head office expenses	(5)	(7)	29
Normalised ¹	2	7	-71

1. In 2009, R7m of Bancassurance profit share relating to Liberty Africa was paid out of Retail SA

Liberty Africa – key performance measures

Rm	Jun 10	Jun 09	% Δ
Asset management			
Net cash flows	5 283	2 720	94
Assets under management*	28 629	22 347	28
Insurance operations			
Indexed new business	31	17	82
Cash flows	55	36	53

* Comparative Dec 09

Liberty Health – headline earnings

Rm	Jun 10	Jun 09	% Δ
Revenue	253	214	18
Cost of sales	(110)	(85)	-29
Operating expenses	(135)	(118)	-14
Net operating profit	8	11	-27
Amortisation, depreciation, interest	(17)	(16)	-6
Net finance cost	(23)	(24)	4
Profit before taxation	(32)	(29)	-10
Taxation	1	11	91
Headline earnings	(31)	(18)	-72
Attributable to Liberty	(11)	0	n/a

Liberty Health – key performance measures

Thousands	Jun 10	Dec 09	% Δ
Administration lives	561	460	22
South Africa	299	225	33
Africa	262	235	11
IT lives	1 101	863	28
South Africa	681	541	26
Africa	420	322	30
Risk lives - Africa	26	17	53

Expenses

Rm	Jun 10	Jun 09	% Δ
Centre - net expenses			
Shareholder expenses	(157)	(114)	-38
Investments	(14)	23	n/a
STC	-	(53)	>100
BEE preference shares income	39	51	-24
Tax and other	46	36	28
Total	(86)	(57)	-51
SA insurance expenses			
Operational	(1 215)	(1 227)	1
Shareholder expenses	(157)	(114)	-38
Total	(1 372)	(1 341)	-2

Conclusion

Conclusion

- A good set of first half financial results
- Persistency initiatives delivering according to plan
- LibFin delivering on mandate
- Good performance in key areas of the business

Focus areas

- Building strength in insurance business
- Building excellence in the balance sheet
- Creating long-term growth through diversification
 - Deliver operating model and investment processes at STANLIB
 - Continue progression into Africa

Building a strong base for future growth and prosperity

LIBERTY HOLDINGS LIMITED

2010 INTERIM RESULTS

Bruce Hemphill, CEO

