



5 August 2010

MEDIA RELEASE

LIBERTY HOLDINGS ANNOUNCES INTERIM RESULTS

*Continuation of progress made – building sustainability across all business units –
establishing a sound platform for growth and diversification*

Operating Highlights

- Persistency experience across all business lines has improved
 - No persistency or mortality assumption changes
- LibFin balance sheet management delivering intended results
- Containment of costs well below inflation
- Long term diversification strategy on course

Financial Summary

- BEE normalised headline earnings per share increased to 351.9c (HY09: loss 421.9c)
- BEE normalised embedded value per share R84.62 (FY09: R84.32)
- Strong turnaround in group net cash flows, with positive inflows of R11.5bn
- Group indexed new business up 1.1% to R2,135m (HY09: R2,111m)
- Capital position remains strong with CAR level at 2.79 times (FY09: 2.81)
- Full year cash distribution of 164 cents per share maintained (HY09:164c)

Commenting on the results Liberty CEO Bruce Hemphill said:

“The good progress reported at the end of 2009 has continued into the first half of 2010. I am satisfied with both the operational delivery and financial performance of the business relative to our assumptions.”

“We have clearly outlined our three key focus areas for sustainable growth and value creation: Firstly, strengthening our insurance business, with specific emphasis on addressing persistency and developing strategies for increased sales productivity. Secondly, achieving excellence in balance sheet and capital management. And thirdly, diversification in terms of geography and business line. I am pleased to say that in all three areas we have shown real progress.

Persistency levels are on target across all insurance business lines, with risk lapse rates at their lowest levels for a number of years.

LibFin is delivering on its mandate as evidenced by lower volatility in earnings (in unusually volatile markets), limiting capital requirements at a time when volatility should be significantly increasing the requirement, and a dividend maintained during a period where earnings, although improving, have not yet fully benefited from the improvement in the insurance business.

Our diversification strategy is gaining impetus with Stanlib delivering improved performance, despite a difficult operating environment and the properties, health, insurance and asset management expansion into Africa continuing as planned.”

Operating and Financial Overview

Liberty has produced positive 2010 half-year earnings against a backdrop of low GDP growth and financial market volatility.

The group's BEE normalised Group Embedded Value per share at 30 June 2010 is R84.62, compared to R84.32 at 31 December 2009. Positive earnings were offset by the impacts of lower than expected financial market performance and the capital reduction of R832 million paid in lieu of the 2009 final dividend.

The capital adequacy cover of Liberty Group Limited is strong at 2.79 as at 30 June 2010. The CAR cover of the subsidiary life licences has increased, resulting in all licences being well capitalised.

BEE normalised headline earnings were R1 007 million for the six months to 30 June 2010 compared to the R1 207 million loss reported for the same period in 2009. This result indicates a return to more normal levels of earnings from insurance operations.

Particularly pleasing has been the progress made by the retail insurance business in improving policyholder persistency across the risk books, demonstrating delivery ahead of targeted timelines.

Whilst it is too early to adjust long-term persistency assumptions, operating variances were considerably improved. Management is confident of ongoing progress in this area.

Insurance new business embedded value margins of 1.1% were below expected levels. Over the next 24 months, planned acquisition cost efficiency, sales volume increases and lower lapse assumptions are expected to address this. In the medium term, margin recovery should start commencing from the end of 2011.

LibFin's management of the balance sheet delivered to expectations during the period – returns on the shareholder investment portfolio were in line with benchmark and LibFin Markets continued to manage asset/liability positions within risk limits. Capital ratios remain strong.

Despite a difficult operating environment, STANLIB and Liberty Africa asset management operations continued to attract net cash inflows, totalling R11.7 billion, with particular strength in the fixed interest franchise.

Total assets under management have reached a credible R373 billion, with growth achieved by all asset managers (STANLIB, Liberty Properties and Liberty Africa). The new CEO of STANLIB, Thabo Dloti, has been mandated to strengthen the investment process and ensure the appropriate long-term platform is in place to grow a sustainable third party asset manager.

Expansion into Africa is an investment in Liberty's long-term future and is still in build phase. Good progress has been made in Namibia and Botswana. The acquisition of the non-banking entities of CfC Stanbic in Kenya (CfC Insurance Holdings) has been delayed to the fourth quarter of 2010 due to the extended process of obtaining regulatory approval.

An interim dividend of 164 cents (2009: 164 cents), to be paid as a capital reduction, has been declared.

Detailed Strategic and Operational Overview

Liberty has spent the past 6 months working to consolidate the achievements made at the end of 2009, building on the review process and the long-term stated strategy for value and growth. As such Liberty has focused on ongoing work to build excellence in the management of the balance sheet, and strengthen the insurance business, with the immediate emphasis on improving persistency in the life business. The diversification plan to lay a platform for long-term growth and provide alternative revenue streams continues.

Strengthening the insurance business

Liberty Retail Insurance

Persistency of flagship risk products has improved ahead of expectations, leading to positive operating variances. The total number of risk policies lapsed in the first six months of 2010 showed a decrease of 27% on the same period in 2009, and policies lapsed in June of this year are the lowest since January of 2007. The lapse rates on risk business are now below our long-term actuarial assumption for the first time in several years. This improvement is ahead of management's expectation communicated to the market in June 2009 and February this year.

Experience on investment products is broadly in line with that in the second half of 2009. Only R50 million was required to be released from the short-term persistency provision of R407 million held at the beginning of the period to cover negative ELM variances. Mortality experience remains marginally positive and is being monitored by management.

In respect of sales and distribution, Liberty has spent the past twelve months shifting the emphasis from volume to quality of acquisition and retention. This is fundamental to sustainable shareholder value creation and the results are evident from improved persistency.

The shift in emphasis from volume to retention and quality of new business is fundamental to value creation. We faced a difficult ongoing consumer environment, limited guaranteed capital bond capacity and we chose to close a channel selling unprofitable ELM business. These three factors led to indexed new business (excluding contractual increases) decreasing by 1.6% to R1 857 million (2009: R1 888 million). However, good growth was recorded in retirement savings products.

The new business embedded value profit margin of 1.3% (31 December 2009: 1.5%) has decreased, mainly due to proportionately higher sales of lower margin investment products. Headline earnings of R472 million for the period have recovered well compared to the 2009 loss of R222 million. Net cash flows were positive at R418 million for the period (2009: R1.7 billion), lower than 2009 as a result of higher per policy claim values following the recovery of the investment markets in the second half of 2009. Premium income inflows of R10.7 billion were 1.7% lower than 2009, mainly due to the reduction in sales of guaranteed capital bonds.

Costs are within acceptable levels and continue to be a key focus for management with the objective of managing increases within actuarial inflation assumptions.

Experience investigations performed on major product lines for the 30 June 2010 policyholder liability valuations indicated that no changes to long-term persistency or mortality assumptions were required.

Corporate

Corporate had a good first half with improved risk claim ratios and lower costs resulting in Corporate headline earnings improving to R65 million (2009: R25 million). The business experienced a 20% increase in indexed new business compared to 2009. Although consumer job losses continued, impacting withdrawal levels on corporate funds, corporate net cash outflows improved relative to the same period last year.

Building excellence in capital and balance sheet management

LibFin

The investment in LibFin is paying dividends and its capabilities are particularly welcome in difficult market conditions.

LibFin Investments is delivering on its stated objectives and is progressing well. Over the six month period, a shareholder investment portfolio of approximately R16 billion was held. The balanced portfolio which was designed in the second half of 2009 has now been implemented and contributed R322 million before tax to headline earnings. The integrity of this structure is evidenced by this positive return of 2.0% for the period, despite difficult market conditions and weak equity markets.

LibFin Markets had a positive first six months with a total after tax profit of R194 million. This was supported by good growth in the LibFin credit business with the origination of R1.3 billion of high yielding, quality credit assets.

Managing the risk in the embedded derivative and negative rand reserve exposures to as close to a neutral result in the long-term as possible, was achieved in the face of challenging market conditions for most of the major asset classes.

During the first 6 months, significant systems and process improvements allowed for accurate modeling of interest rate term structure risk, and a material component thereof was de-risked late in the half year, locking in some profits. Work is ongoing to more accurately model and reduce second order market risk, notably volatility and basis risk.

Diversification by business line and geography

STANLIB

STANLIB's headline earnings totalling R164 million (2009: R158 million) were satisfactory, given the impact of lower performance fees. STANLIB had net cash inflows for the period of R6.5 billion (2009: R4.7 billion outflow), net of the withdrawal of R6.5 billion of PIC funds. Money market funds attracted strong net inflows of R11.3 billion (2009: R8.7 billion) resulting in total assets under management (including inter-company life funds) increasing to R321 billion at 30 June 2010 compared to the R318 billion reported at 31 December 2009.

STANLIB is the largest unit trust manager in South Africa by market share, one of the top three asset managers by assets, and the largest money market manager with a presence in seven African countries. STANLIB's new CEO, Thabo Dloti, has a strong base off which to implement his mandate, which is to build a modern, diversified third-party asset management business for the Group.

Africa

Liberty Africa's asset management operations enjoyed positive net cash inflows of R5.2 billion for the year (2009: R2.7 billion) bringing assets under management to R29 billion. However, attributable headline earnings of R2 million were down on 2009 (R7 million normalised) as a result of lower earnings from insurance operations. The Africa strategy is still in build phase and progress on growing these businesses is satisfactory.

Health

Lives under administration over the six months increased by 22% to 561 000. Sales of health risk products in the rest of Africa continue to grow. Strong revenue growth was offset by the cost of capacity build and initial negative claims experience. Liberty's share of the Health operation's loss for the period was R11 million. Liberty Health has made significant progress in a short period of time. Positive earnings are expected to flow from revenue growth, lower costs and better claims experience.

Properties

Liberty Properties is diversifying into other African countries and third party asset management. After tax profit from the division has increased by more than 50% in the last three years. First half earnings amounted to a pleasing R43 million compared to R34 million in 2009. In addition to great returns for shareholders, and despite the significant investments in new projects, investment returns for policyholders beat the industry benchmark by 2.5% in 2009.

The activities in the rest of Africa are going well and the business is currently managing the building of Zambia's first full multi-purpose shopping complex in Lusaka, in a deal valued at \$200 million, as well as a project in Swaziland.

Post period end the FIFA 2010 Soccer World Cup was an exciting time for our prime properties, especially Sandton City that saw a dramatic increase in visitors and a consequential increase in turnover and also played host to the world's media.

Strategy

Liberty's strategy is to continue building a firm platform for our future growth as we deliver according to our strategic goals. In the second half of the year, and for the next 18 – 24 months, we remain focused on:

- Building strength in the insurance business, with particular emphasis on retention and improving the value of new business.
- Building excellence in the management of the balance sheet.
- Building a platform for long-term growth through our diversification strategy, with particular focus on the operating model and investment processes at STANLIB.
- The ongoing development in Africa, Properties and Health.

In South Africa, confidence has increased but consumers remain under pressure with continued job losses and high levels of debt. We anticipate that there will be some easing of consumer pressure in the latter half of 2010 and early 2011 and that the overall economic environment will continue to stabilise. However, the outlook for the global economy remains uncertain and necessitates caution in the management of shareholder and policyholder funds and the balance sheet risks associated with our business. We will continue to focus on strengthening the insurance business, stabilising STANLIB, effective balance sheet management and growing returns from newly acquired businesses.

Concluding, Bruce Hemphill CEO said: *“Liberty had a good first half, with all major initiatives on track. The highlights have been the turnaround in persistency in the insurance business, and the investment in LibFin demonstrating delivery. The business is well positioned to further strengthen the insurance business, and deliver on its long-term diversification objectives, laying a platform for future growth and prosperity.”*

Media release issued by:

Brunswick Group LLP	011 502 7300
Byron Kennedy	082 453 2066
Itumeleng Mahabane	083 284 6774

Media queries should be addressed to:

Mandy Denton

Group Communication
Liberty
011 408 2621
083 275 4426

Rae Tekateka

Group Communication
Liberty
011 408 1500
083 390 8924