

LIBERTY HOLDINGS

INTERIM RESULTS 2009

Bruce Hemphill, CEO



Agenda

Strategic and operational review

Financial review

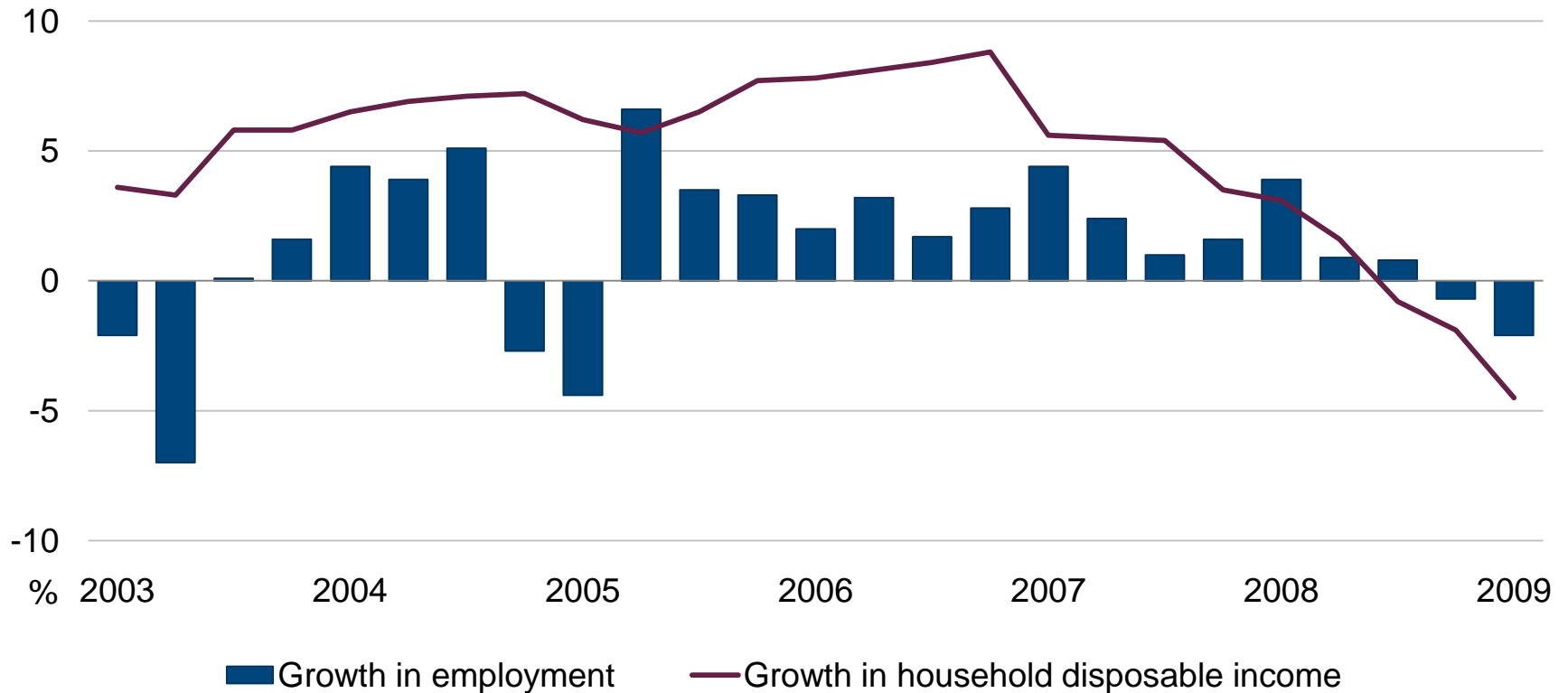
Way forward



STRATEGIC AND OPERATIONAL REVIEW

Deteriorating 'real' economy

Growth in total employment and household disposable income



A deteriorating economy impacts our customers and therefore our business

Key points

Maintaining half year cash distribution

Addressing challenges facing the business

Business operationally strong with CAR at 2.5 times

Long-term diversification strategy remains on track

Liberty's business simplified

Three Manager Model

Collection
of premiums

Strategic
Balance Sheet
Manager

Asset
Manager

Other wealth
offerings
Properties
Health
Other

South Africa

Africa

Persistency – drivers

General drivers

- Economic environment (affordability)
- Increase in churn due to new commission changes
- Poor equity market performance

Liberty specific drivers

- Underestimated the pace of economic decline
- Sales oriented organisation, historically not focused on retention

Significant deterioration of persistency environment during the past 18 months

Key steps of intervention

Today



Rapid mobilisation

- Actions we have already taken to stem the flow

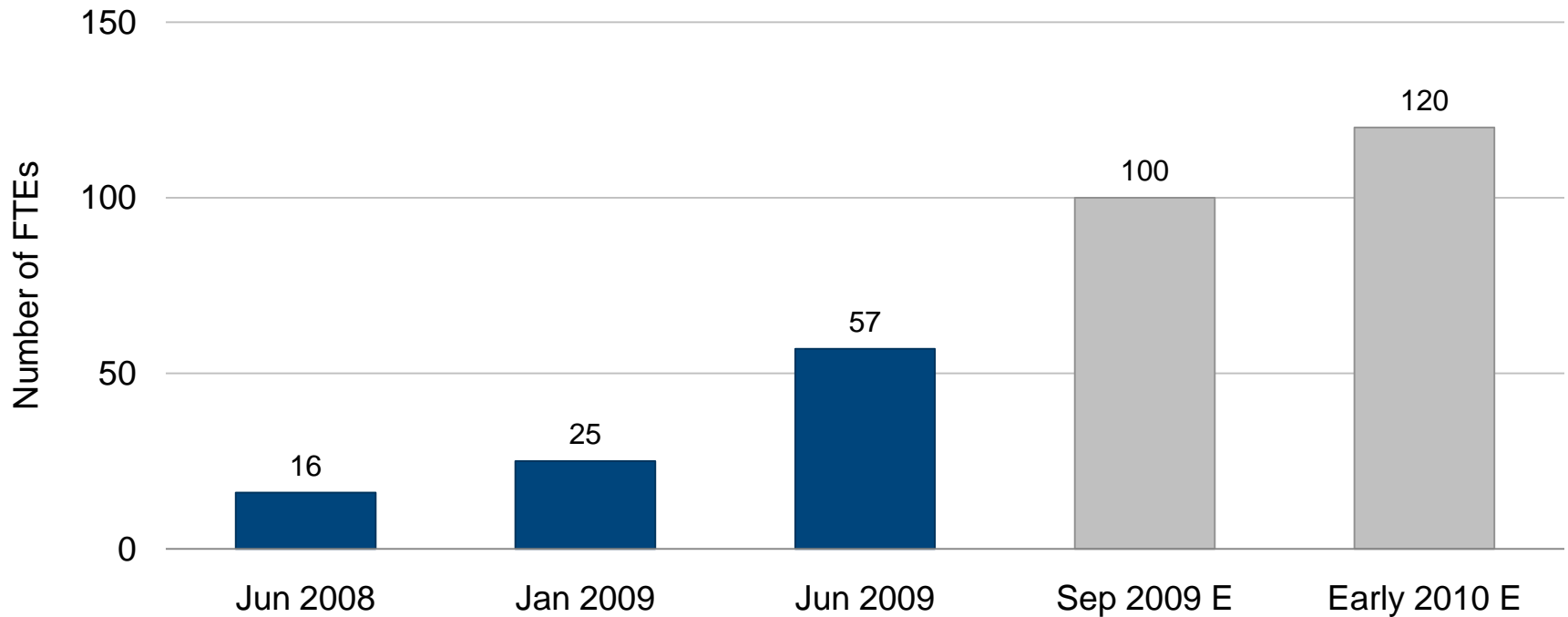
Operational programme

- Comprehensive programme with staged delivery over next 18 months

Strategic plans

- Current state
- Long-term strategy and operating model

Rapid mobilisation – employees dedicated to persistency initiatives



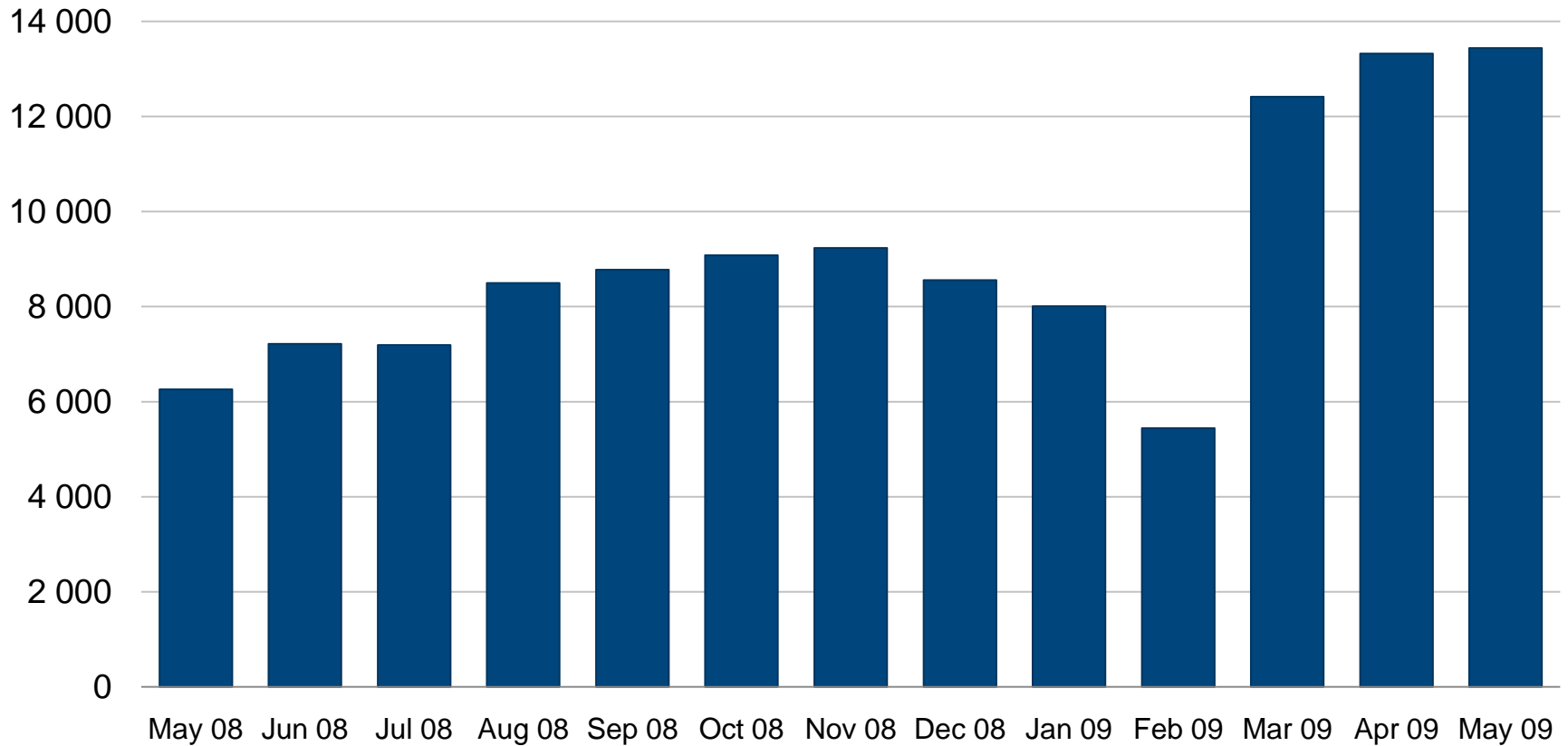
We are ramping up the resources dedicated to persistency improvement efforts

Rapid mobilisation – further actions taken

- Enhanced management information on retention
- Established the Retail Retention Centre as the “defence team”
- Introduced processes to increase number of retention leads actioned
- Aligned service staff key performance indicators with retention
- Enhanced premium collection practices
- Revised underwriting processes to minimise not-taken-ups
- Increased premium flexibility on retirement products

These actions have already gained significant traction

Policies retained per month



Since the beginning of 2009,
we have saved 10 500 policies per month on average

Key steps of intervention

Today



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Operational programme

- Comprehensive programme with staged delivery over next 18 months

Strategic plans

- Current state
- Long-term strategy and operating model

Comprehensive operational programme over the next 18 months

1.

Change management, resourcing and governance

2.

Product design

3.

Distribution

4.

Servicing and operations

5.

Customer loyalty and development

6.

Defence

7.

Management information and customer analytics

Key steps of intervention

Today



Rapid mobilisation

- Actions we have already taken to stem the flow

Operational programme

- Comprehensive programme with staged delivery over next 18 months

Strategic plans

- Current state
- Long-term strategy and operating model

Strategic review

Current state

- South African life insurance market is heavily intermediated by agents/brokers
 - Highly skilled and effective sales engine
 - But means we're not as close to our customers as we'd like to be

What we are planning to do...

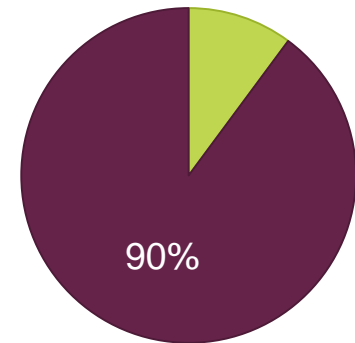
- Conduct a strategic review to look at how strategy and operating model should change to strengthen customer relationships
- Will cover target customer segments, propositions, distribution, marketing and branding
- Will result in implementation of changes to the operating model required to deliver this strategy

We aim to improve customer brand affinity

Collection of premiums – Individual Life

- Growth in indexed new business volumes satisfactory given current economic environment
- Continued good mortality and morbidity experience
- Cash flows healthy R1.7bn net inflow
- Costs well contained, with increase in cost allocation to retention activities
- Maintenance cost per policy within actuarial assumptions

Contribution to indexed new business



■ Corporate ■ Individual

Balance of Individual Life operations performing well

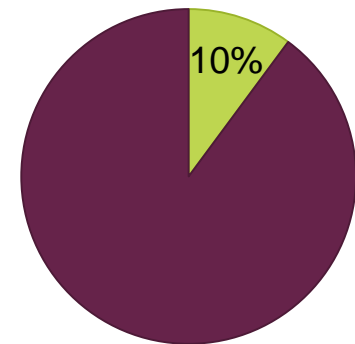
Collection of premiums – Corporate

- Challenging sales environment particularly for SMEs
- Net cash outflows of R1.2bn, similar level to prior year, but mainly in investment only products
- Liberty Corporate won the Best Service from Independent brokers in South Africa

Focus areas going forward

- Continued engagement with government bodies around the proposed national savings fund
- Building on the successful growth in the emerging market space

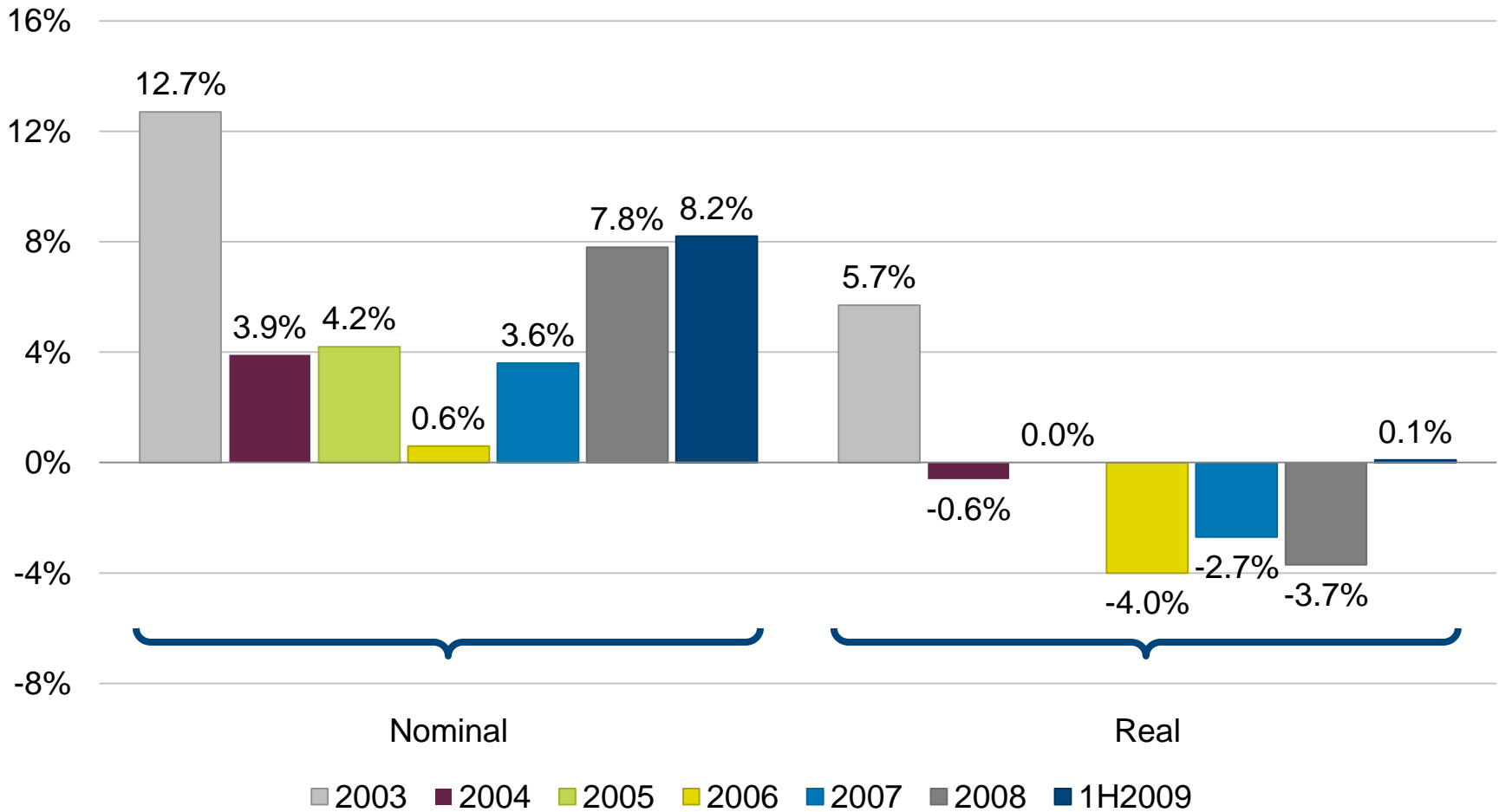
Contribution to indexed new business



■ Corporate ■ Individual

A tough period for the corporate market

Costs*



* Refers to growth in "business as usual" recurring Individual Life insurance costs

Liberty's business simplified

Three Manager Model

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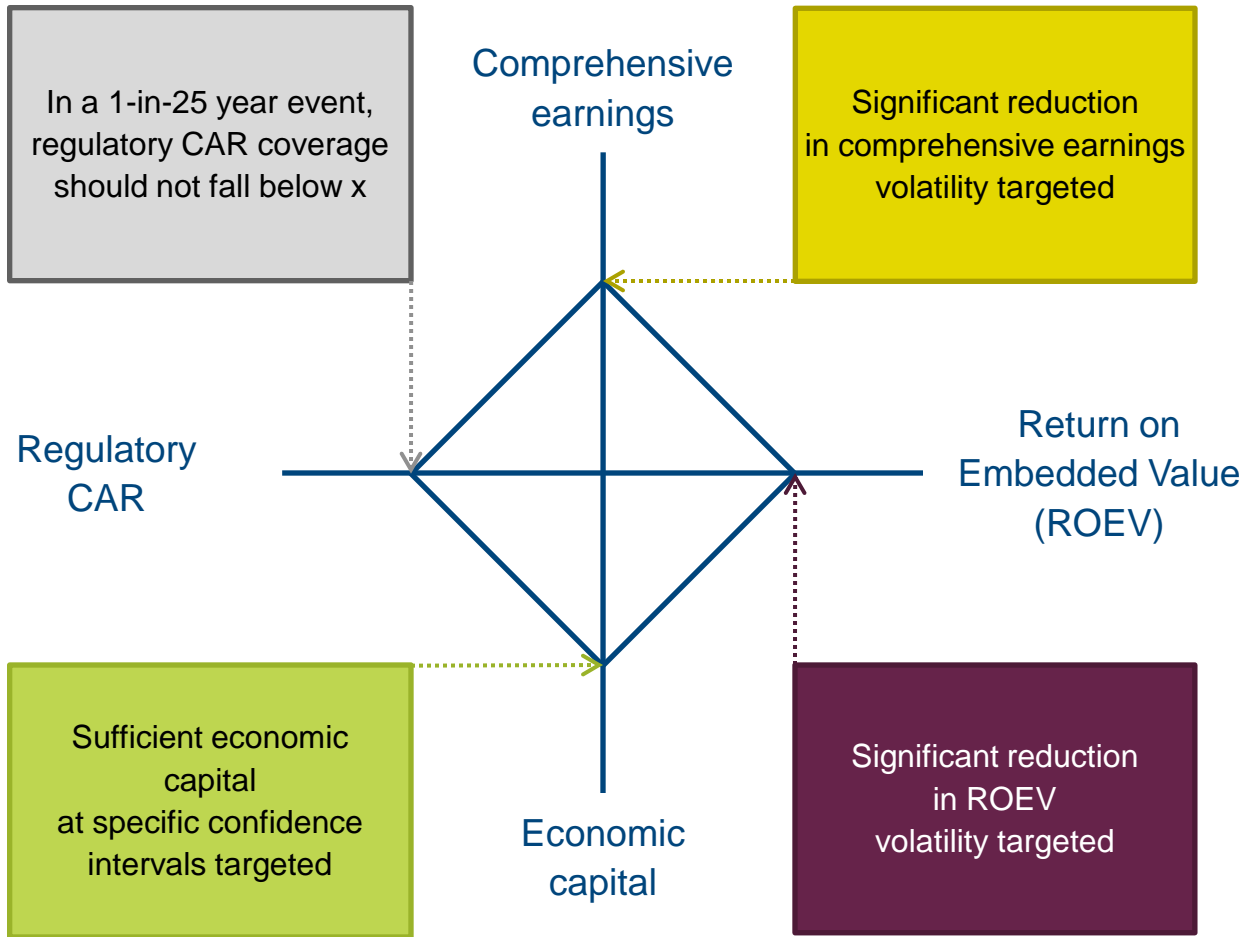
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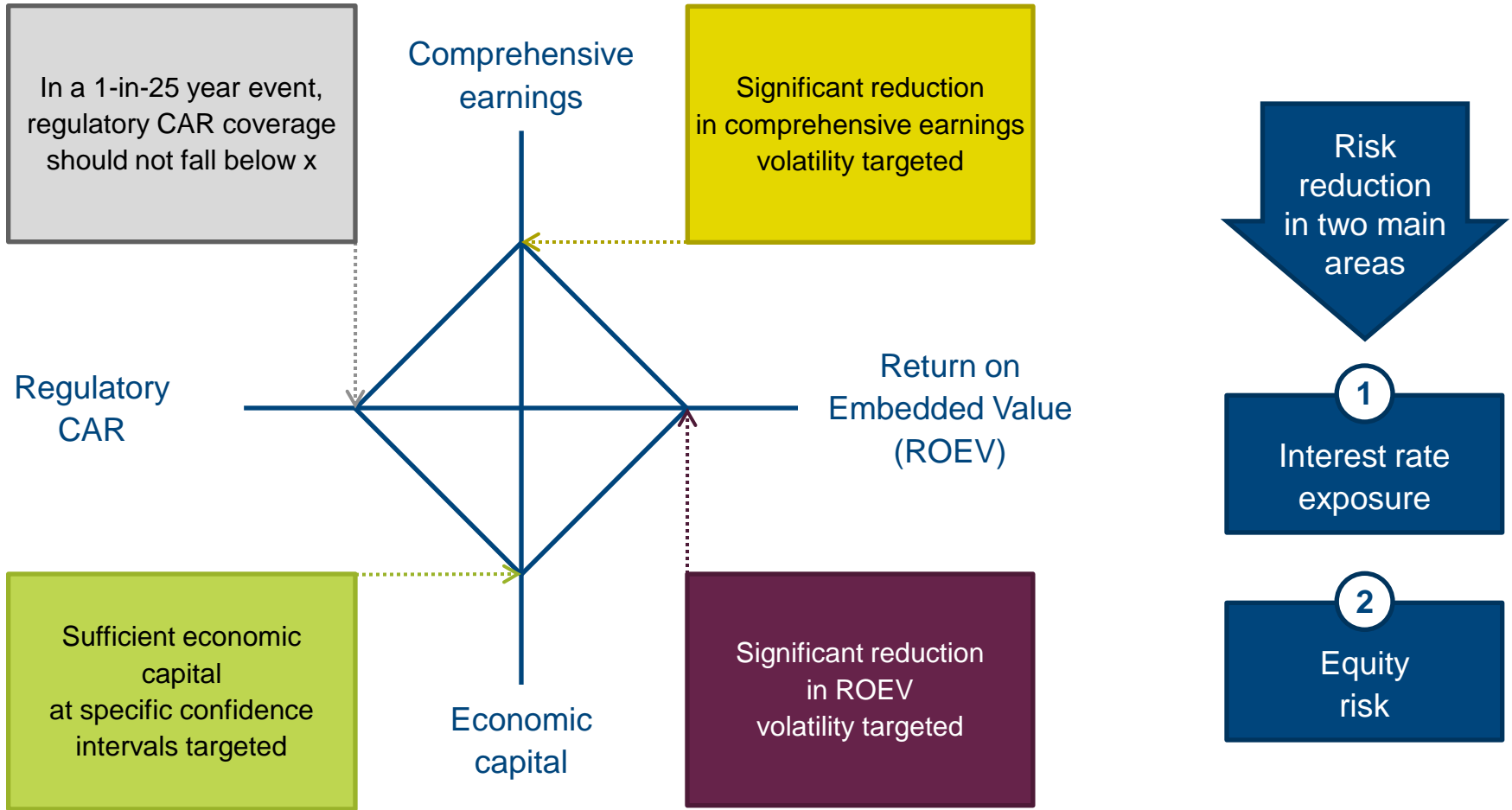
South Africa

Africa

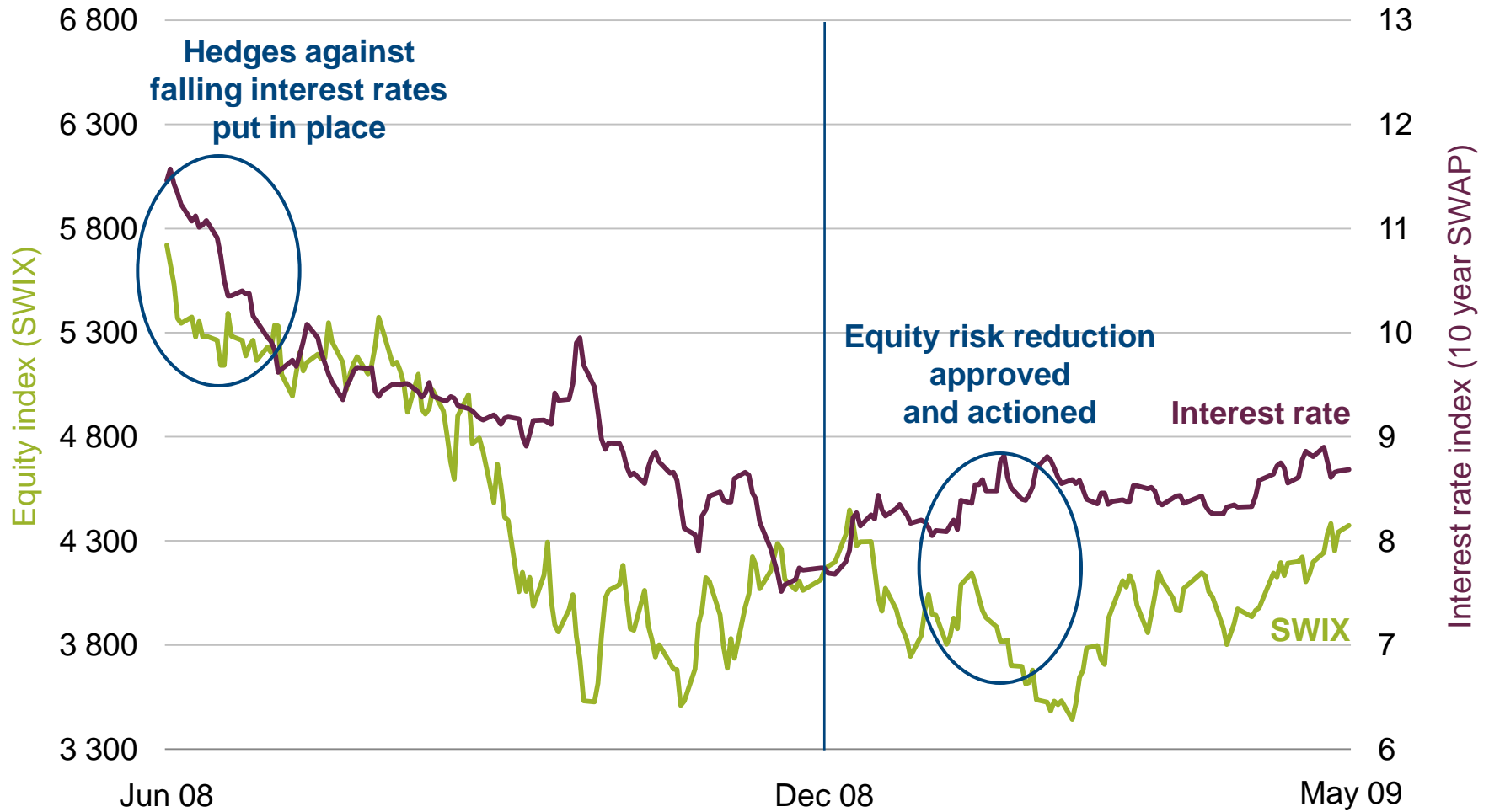
Risk appetite



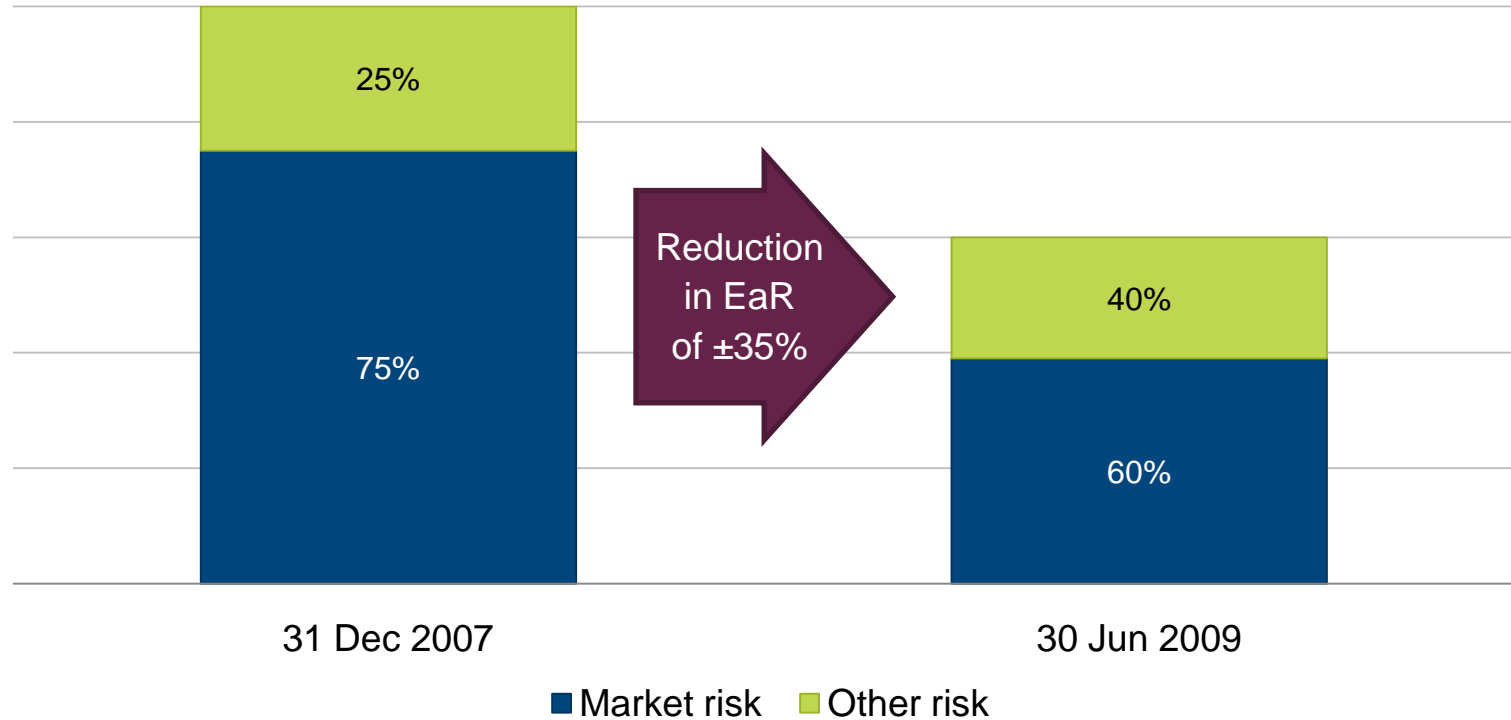
The de-risking strategy – objectives



The de-risking strategy – hedges put in place

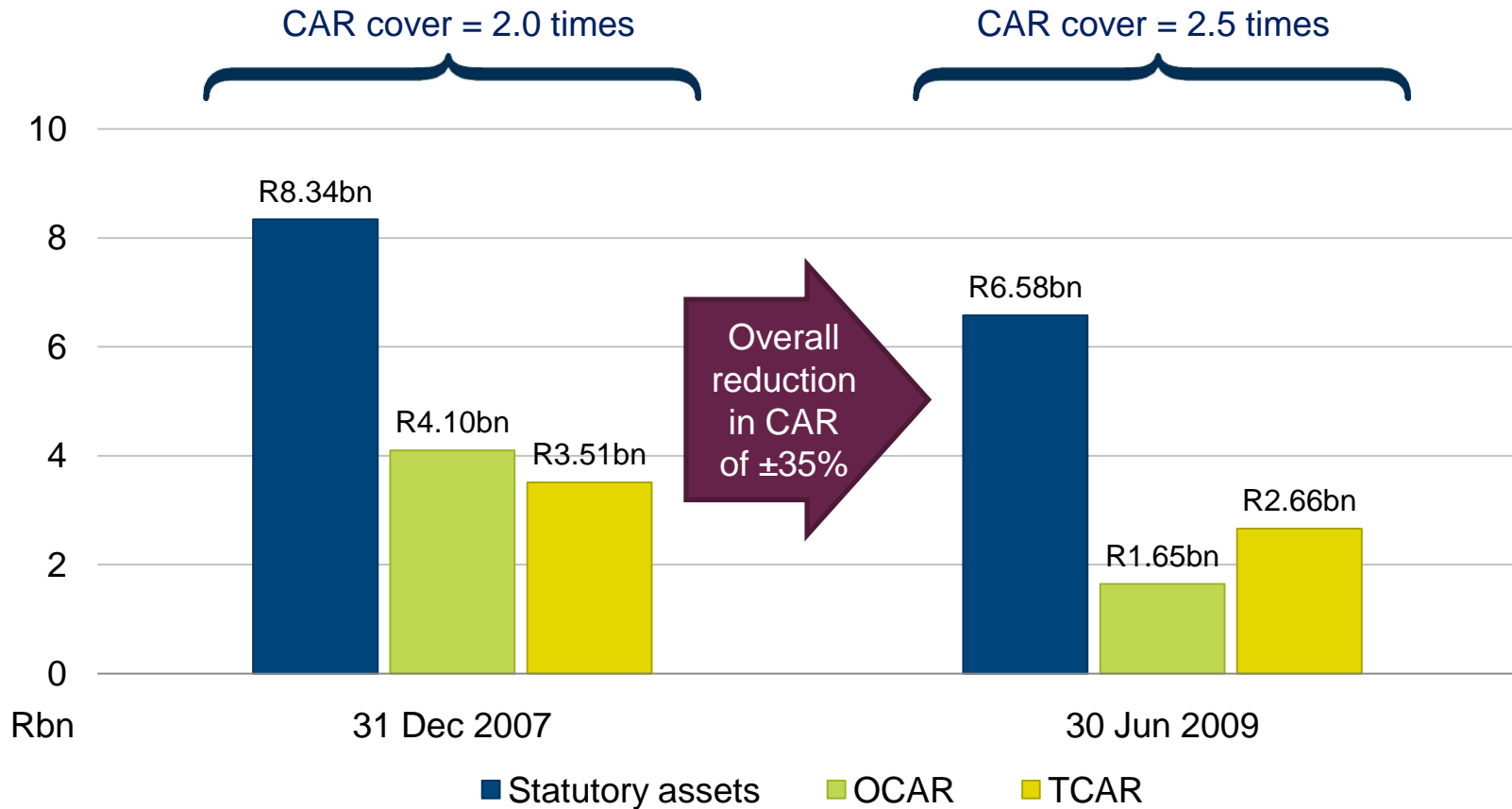


Impact of hedging on earnings at risk



The market hedges have significantly reduced the earnings at risk (EaR)

Impact of hedging on CAR



The hedges have improved Liberty's regulatory CAR cover

Forex losses driven by Rand strength against the USD



Significant strengthening in Rand since end Q1

Foreign exchange exposure

- Foreign investments part of the balanced investment strategy for shareholder funds
- Holding foreign currency is important in achieving our strategic objectives

As a result:

- R530m of unrealised losses on foreign exchange position due to appreciation of Rand
- Some re-balancing of the foreign exchange position without affecting the overall foreign exchange strategy

Stable and sustained returns in the long term

Management of market risk – next steps

Two main areas of focus:

1

Develop long-term market risk strategy and strategic asset allocation for the physical balance sheet

2

Further develop our management information to support our investment decisions (and other business decisions)

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 **STANLIB**

Asset manager – STANLIB

- Reasonable performance in money market, fixed income and property
- Equity performance disappointing
- Strong dividend and money market inflows
- Headline earnings down 15% only, excluding performance fees
- Strategic review under way

Resilient financial performance in tough market conditions

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LIBERTY PROPERTIES

Liberty Properties

- Despite slowdown in economy Liberty Properties continues to contribute good returns to the Group
- Continued growth in fee income across all revenue sources
- Property development pre-tax fee income up 64%
- Major projects include:

In South Africa:

- Sandton Phase I on track – R1.3bn Liberty's 75% share of costs
- Eastgate extension – R600m

Outside South Africa:

- Mixed use development complex in Lusaka with projected spend of R1.2bn

Liberty Properties continues to drive good returns in SA
as well as making great strides on the continent



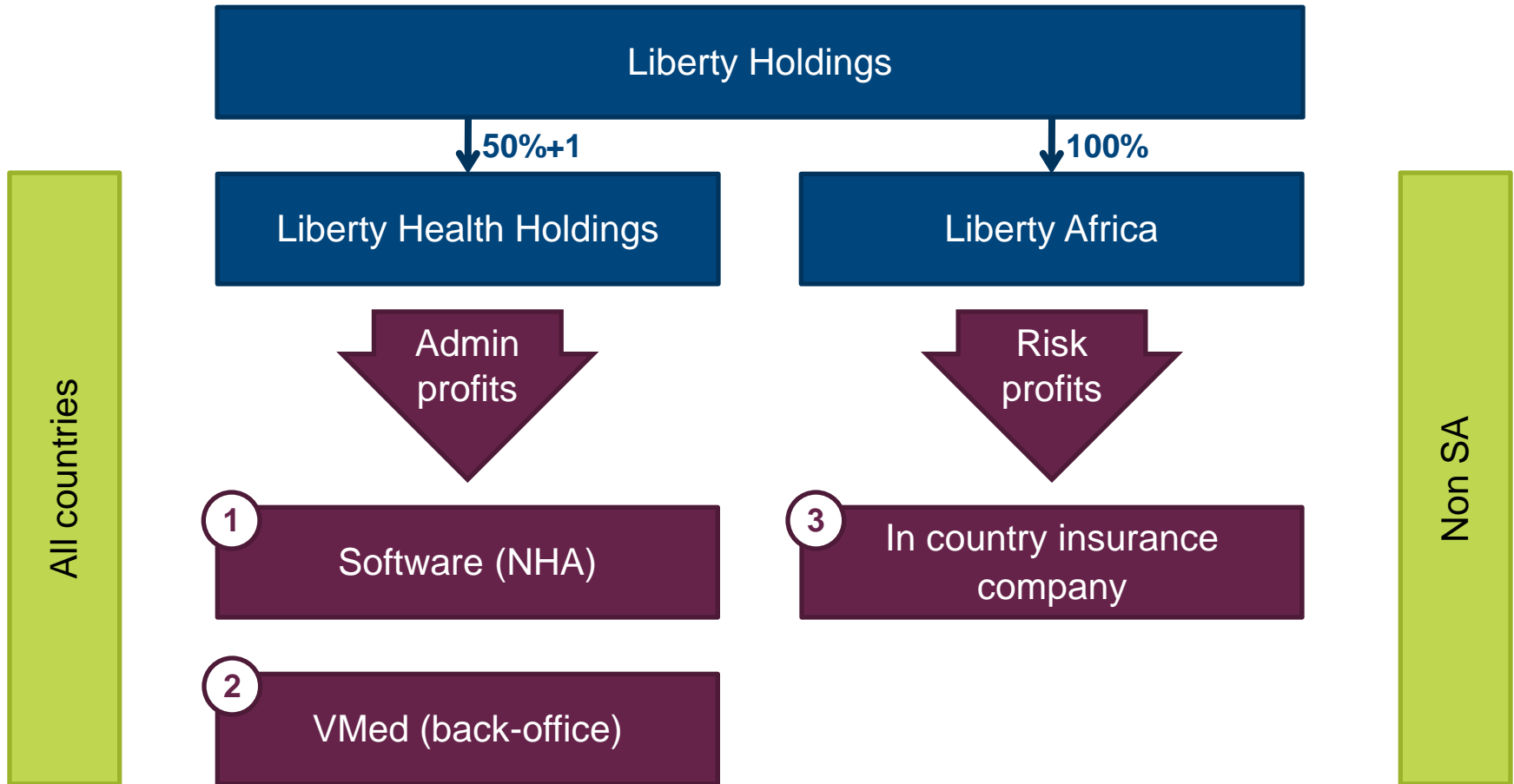
ME,
MY FAMILY,
MY WORLD

HI!

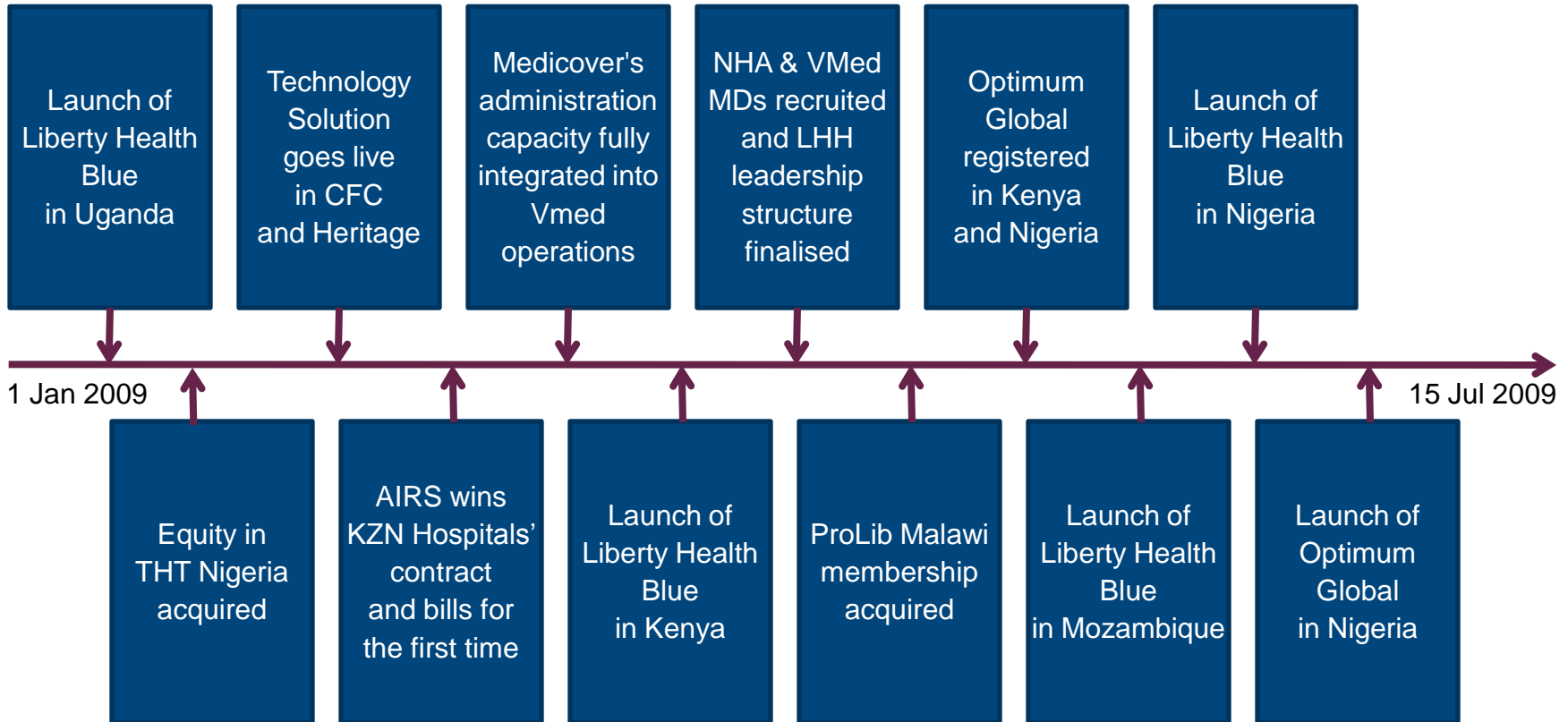


LIBERTY HEALTH

Strategic structure

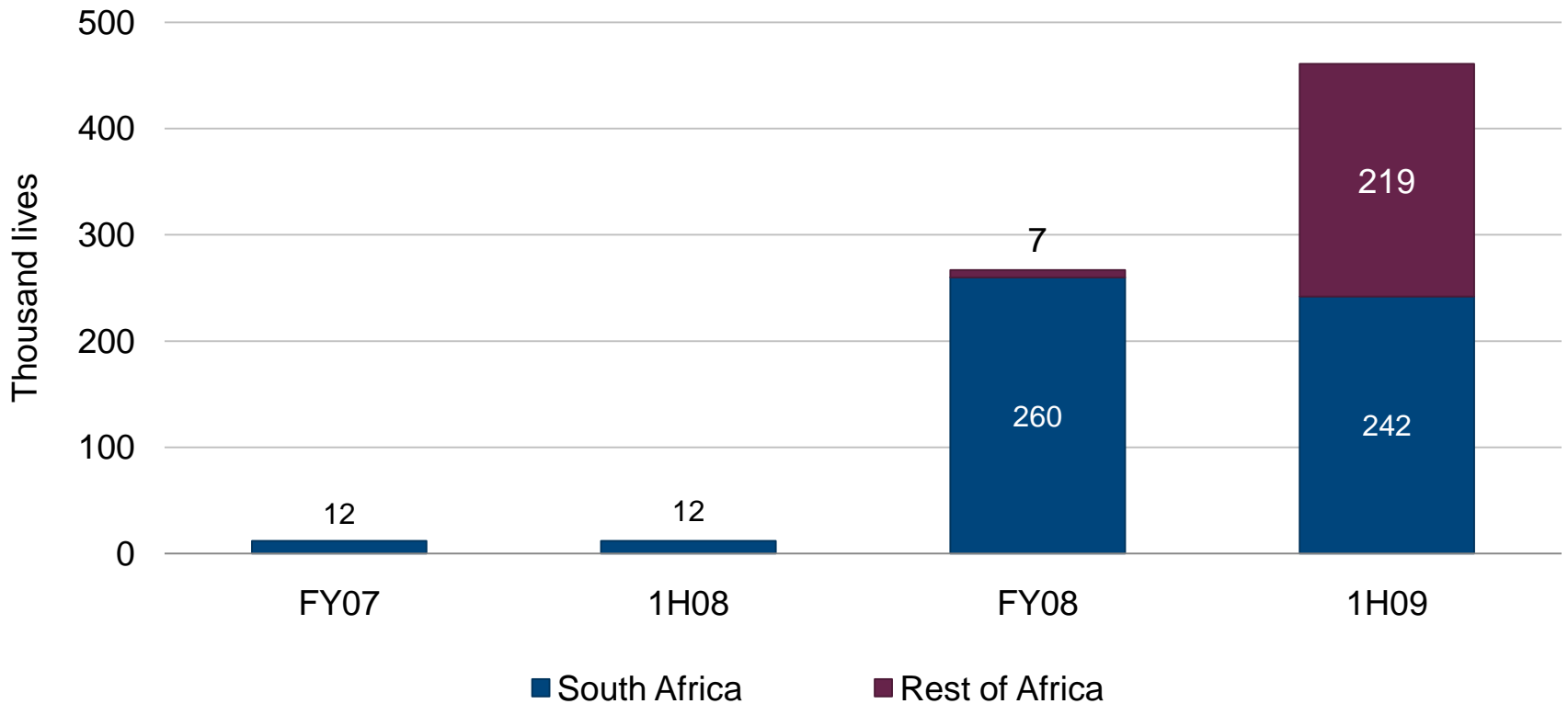


Liberty Health – 2009 key achievements



Delivery achieved against strategic objectives

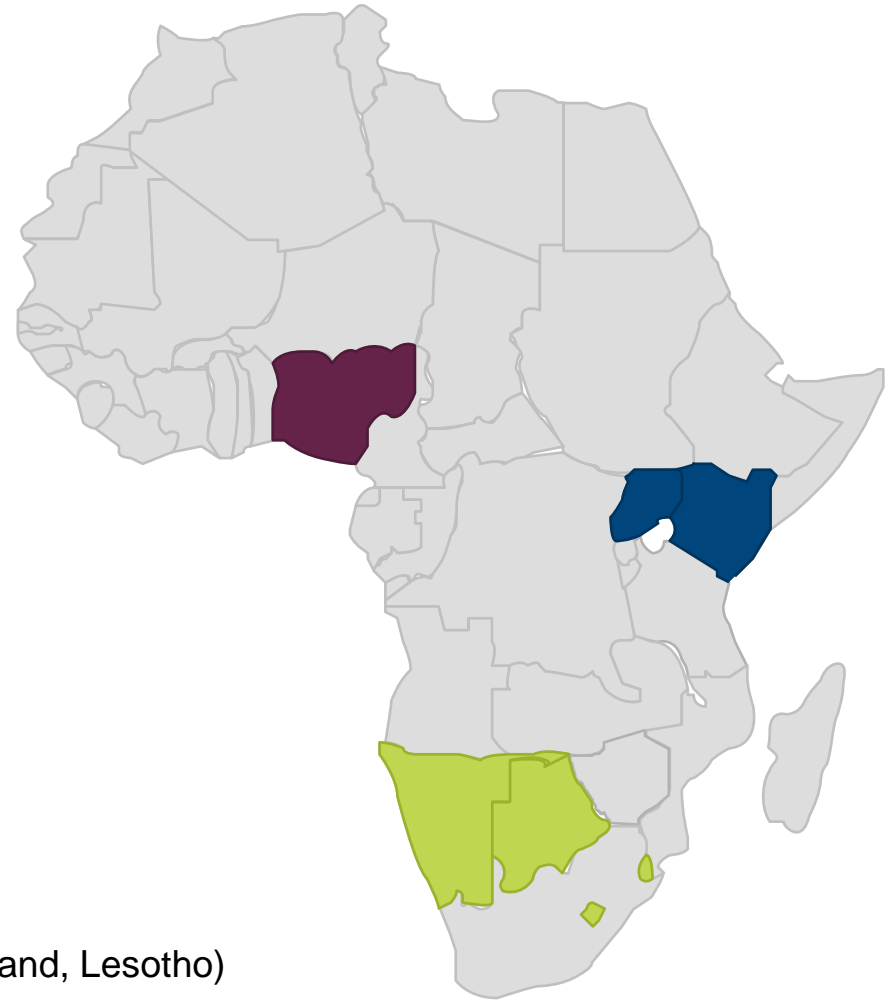
Liberty Health – VMed: total lives under administration



Growth in lives under management has been strong

Liberty Africa

- Secure leading position in eastern, western and southern regions of the African continent
- Four life businesses, six asset management business units and one health business



■ East Africa (Kenya, Uganda)

■ West Africa (Nigeria)

■ Southern Africa (Namibia, Botswana, Swaziland, Lesotho)

Liberty Africa – strong operational performance

- Earnings were up significantly on 1H08 due to:
 - improved insurance result
 - higher investment income
 - control and prudent management costs
- Liberty Africa continues to pursue growth opportunities on the continent
- Health operations have recently been added to Liberty Africa's portfolio

Liberty Africa – the enabler of Liberty's emerging market diversification strategy on the continent

People and transformation

FSC group scorecard	Unaudited score Jun 2009
Human resources development	20.0
Ownership and control	21.0
Procurement	16.0
Access to financial services	12.3
Empowerment financing	22.0
Corporate Social Investment	3.0
Total*	93.3

Good transformation scores; 2009 focus on DTI code improvements

* Total target score = 100



FINANCIAL REVIEW

Group financial summary

Rm <i>(unless stated otherwise)</i>	Jun 2009	Jun 2008	% Δ
BEE normalised headline earnings*	(1 207)	913	n/a
BEE normalised headline earnings per share (cents)*	(422)	322	n/a
Embedded value ¹	22 650	27 207	-17
BEE normalised embedded value per share (R) ¹	79.19	95.12	-17
BEE normalised ROEV (annualised %)* ¹	(25.5)	3.7	n/a
Embedded value of new business	122	249	-51
Embedded value new business margin (%)*	1.0	1.9	-47
Group new sales	88 659	77 628	+14
Group cash flows	(1 416)	(2 031)	+30
Assets under management ¹	329 793	336 973	-2
Capital adequacy requirement (times covered)* ¹	2.48	2.66	-7
Cash distribution (cents per share)	164	164	0

1. Comparative Dec 2008 values reflected

* Comparatives are reported at an LGL group level

Headline earnings*

Rm	Jun 2009	Jun 2008**	% Δ
Life assurance	(636)	744	n/a
Individual Life	(75)	605	n/a
Corporate	36	56	-36
LibFin	(597)	83	n/a
LibFin shareholders	(693)	36	n/a
STANLIB	159	206	-23
Properties*	34	38	-11
Liberty Africa	14	2	>100
Liberty Health Holdings	(9)	(17)	+47
Shareholder expenses	(74)	(94)	+21
Other	(4)	(2)	n/a
Liberty Holdings company	2	-	>100
BEE normalised headline earnings	(1 207)	913	n/a

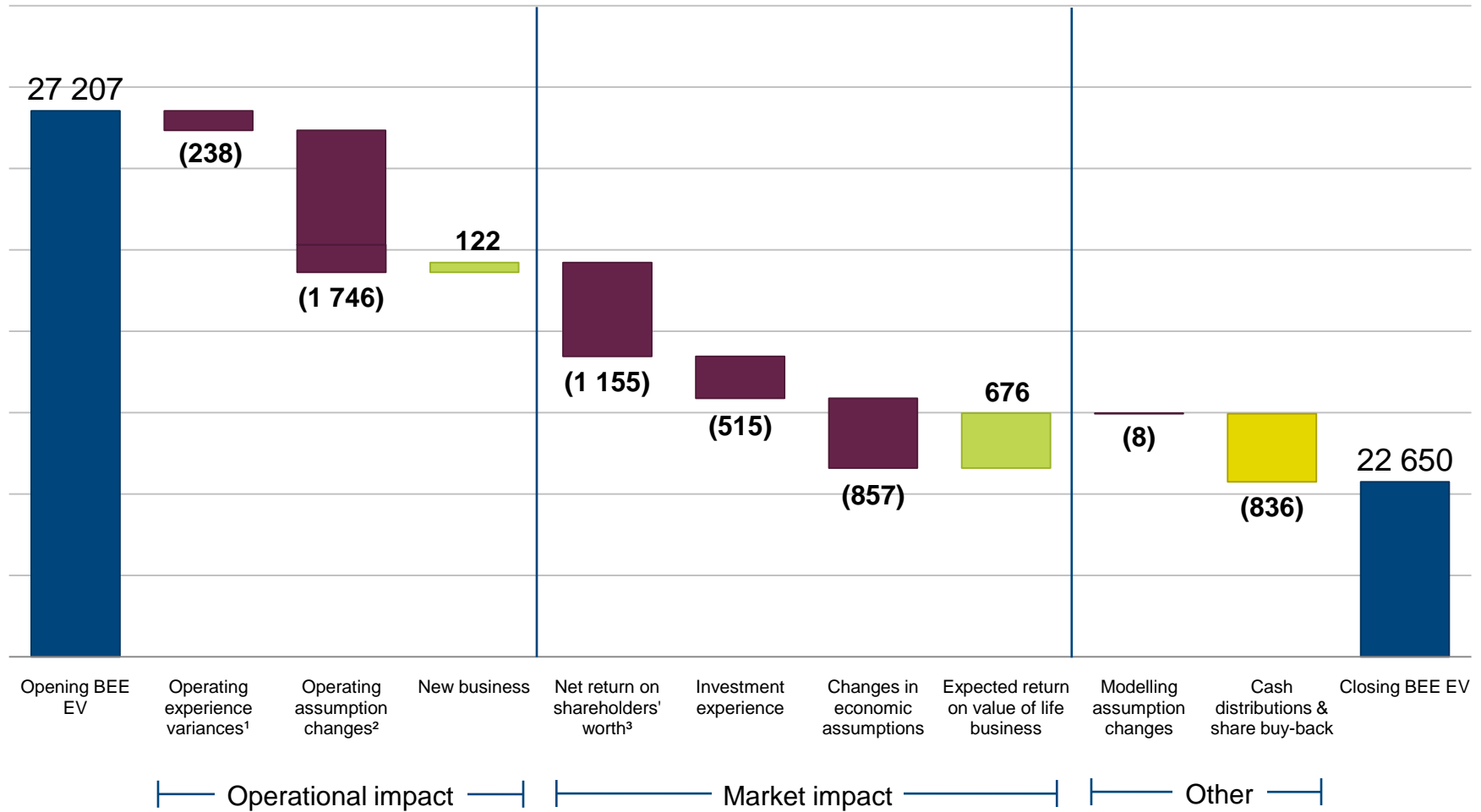
* Includes Fountainhead

** Comparatives are reported at an LGL group level

BEE normalised embedded value reconciliation

Rm	Jun 2009
Opening EV as at 31 Dec 2008	27 207
Capital raised/capital distributions	(836)
Closing EV as at 30 Jun 2009	22 650
EV profits	(3 721)
30 Jun 2009 EV consists of:	
Net worth	10 678
Gross VIF	12 698
Cost of solvency capital	(726)
EV	22 650

Embedded value analysis (Rm)

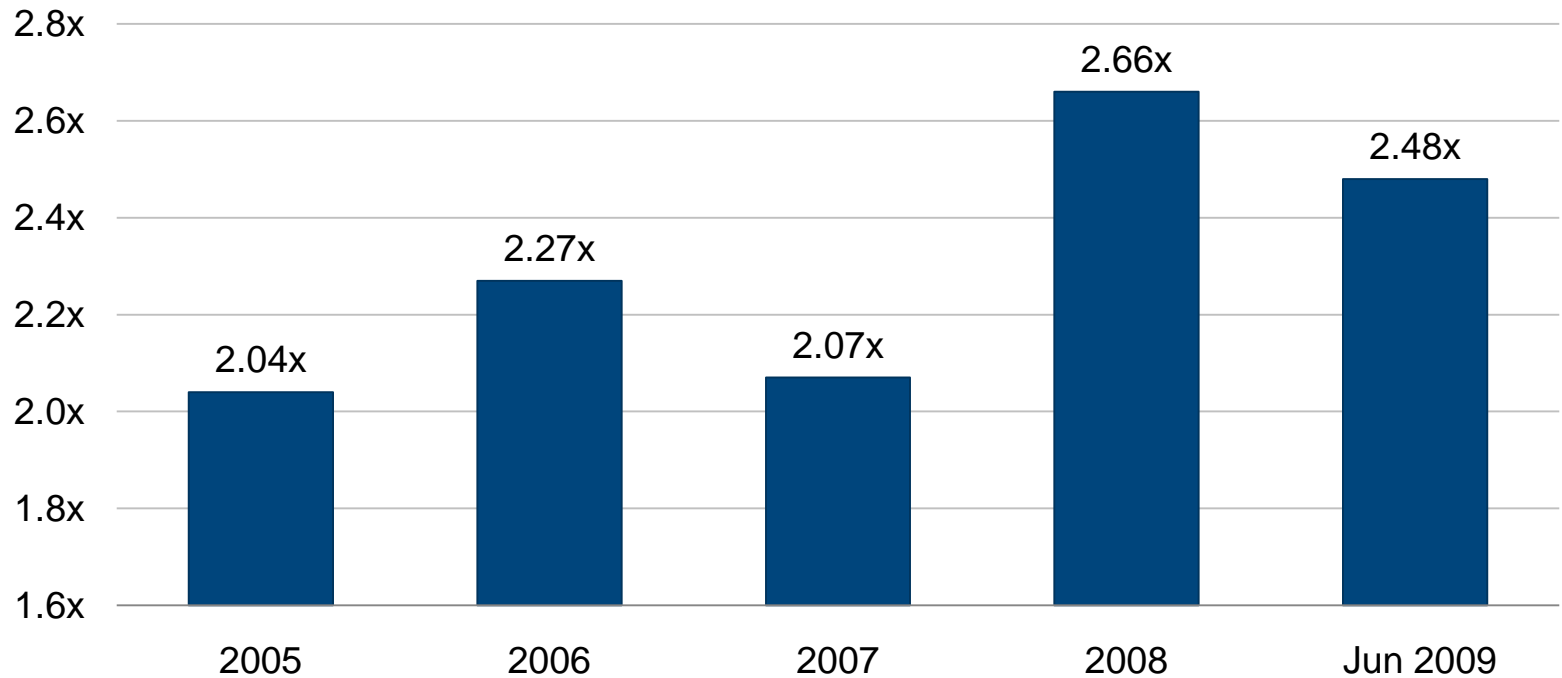


1. Operating experience variances include R168m due to mortality experience, (R311m) due to withdrawals and other R44m

2. Operating assumption changes include persistency of (R1 407m) and other (R339m)

3. Adjustment on net worth includes the change in the fair value of options (R19m), BEE preference dividends (R75m) and net worth (R1 211m)

Capital strength - CAR cover*



CAR (Rm)	3 782	3 945	4 102	3 020	2 655
Basis	TCAR	TCAR	OCAR	TCAR	TCAR

CAR cover remains strong

Individual Life operating profit

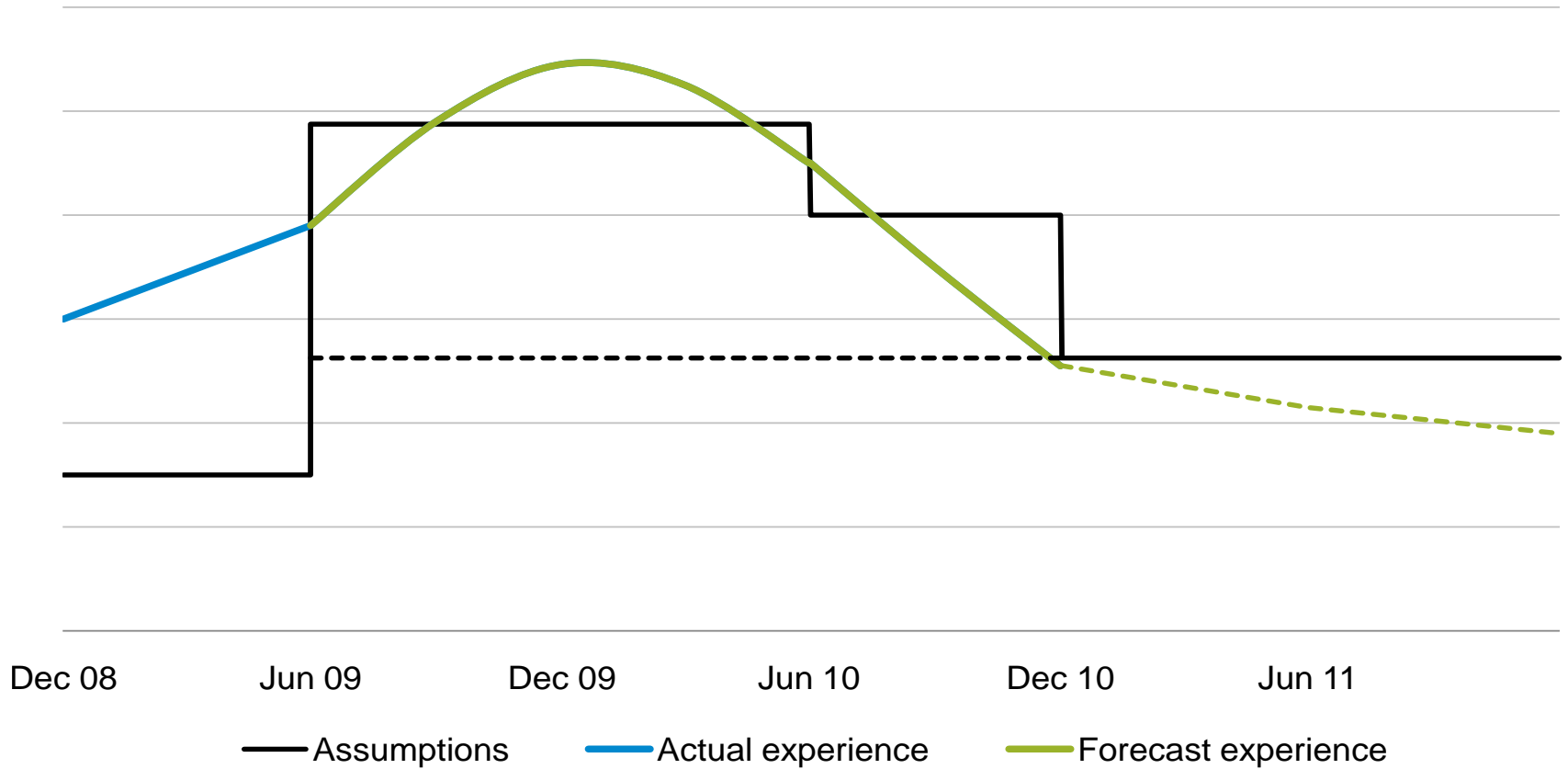
Rm	Jun 2009	Jun 2008	% Δ
Expected profits	809	961	-16
Release of margins	566	647	-13
Management fees	243	314	-23
Persistency	(952)	(261)	n/a
Policyholder behaviour	(240)	(161)	-49
Forward looking assumptions	(712)	(100)	n/a
Variances to expected – other	245	444	-45
New business strain	(249)	(154)	-62
Changes in assumptions	16	(128)	>100
Other	58	(3)	>100
Pre-tax operating profit	(73)	859	n/a
Tax	(2)	(254)	+99
Headline earnings	(75)	605	n/a

Persistency total R952m (after tax R685m)

Individual Life results – persistency analysis before taxation

Rm	Jun 2009
Operating variances	
Persistency variance before taxation	365
Less: reserve release	(125)
Net	240
Assumption changes	
Gross assumption changes	998
Embedded derivative release	(286)
Net	712

Persistency assumption change



Earnings impact R513m*

EV impact R1 407m

* R513m after tax, or R712m pre-tax

Individual Life additional performance measures

Rm (<i>unless stated otherwise</i>)	Jun 2009	Jun 2008	% Δ
Gross sales	5 913	6 279	-6
Indexed new business	1 825	1 810	+1
Net cash flows	1 713	(410)	>100
Embedded value of new business ¹	112	211	-47
Embedded value new business margin (%) ¹	1.4	2.2	-36

%	Jun 2009
Individual Life new business margin as at 31 Dec 2008	3.0
Impact of economic changes	(1.0)
Impact of persistency	(0.6)
New business margin as at 30 Jun 2009	1.4

Corporate headline earnings

Rm	Jun 2009	Jun 2008	% Δ
Income	407	379	+7
Risk profits	167	198	-16
Management fees	125	151	-17
Admin and other income	115	30	>100
Expenses	(357)	(307)	-16
Management expense	(299)	(254)	-18
Commissions (on CAL sales)	(28)	(39)	+28
Amortisation of intangibles	(42)	(28)	-50
Shareholder participation (90/10) - expected	15	6	>100
Other	(3)	8	n/a
Pre-tax operating profit	50	72	-31
Taxation	(14)	(16)	+13
Headline earnings	36	56	-36

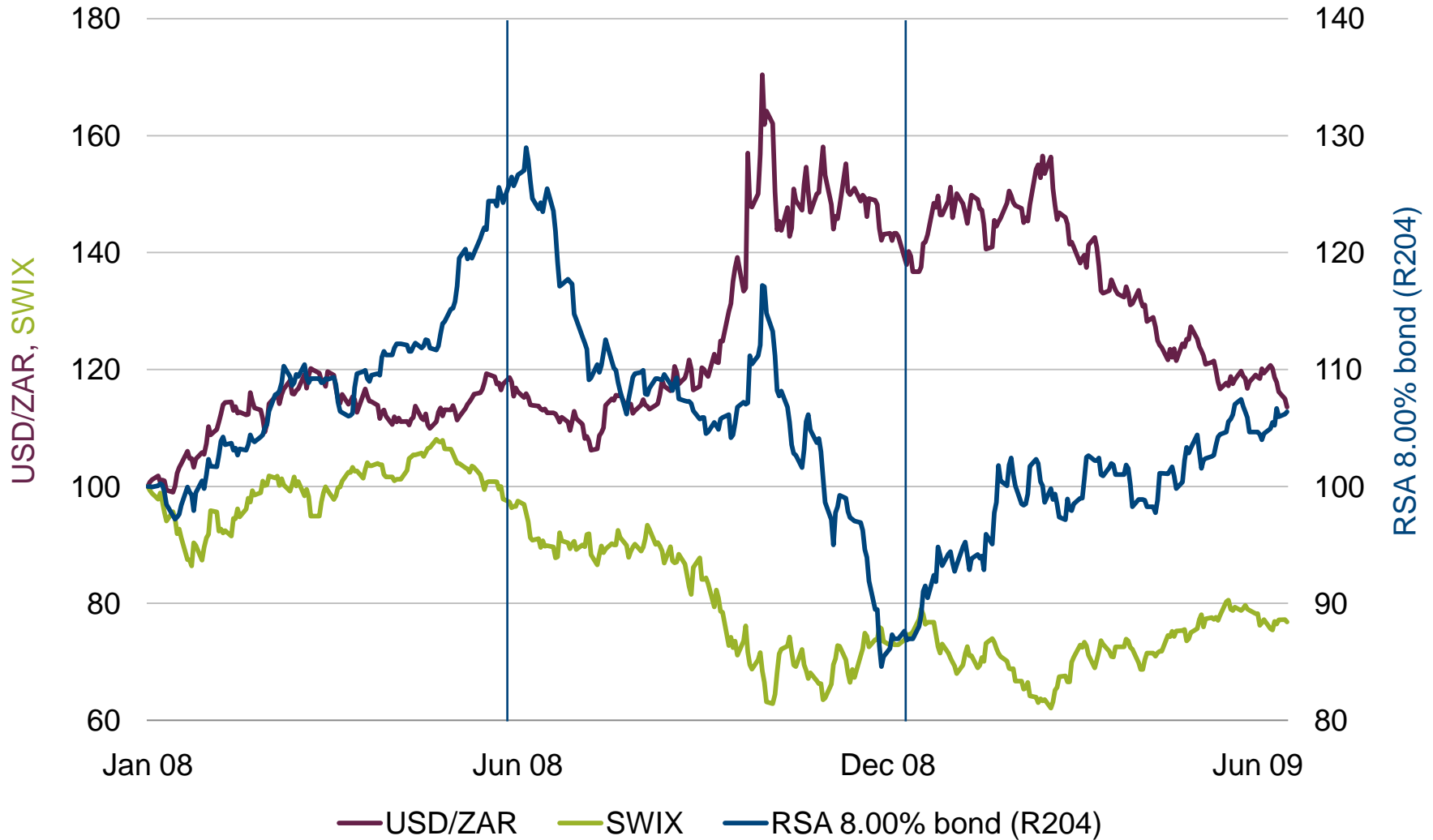
Corporate – additional performance measures

Rm (<i>unless stated otherwise</i>)	Jun 2009	Jun 2008	% Δ
Gross sales	722	1 013	-29
Indexed new business	206	271	-24
Net cash flows	(1 162)	(1 155)	-1
Embedded value of new business ¹	6	20	-70
Embedded value new business margin (%) ¹	0.2	0.7	-71

%	Jun 2009
Corporate new business margin as at 31 Dec 2008	0.4
Change in mix of business	(0.2)
New business margin as at 30 Jun 2009	0.2

1. Comparative restated for PGN 107

Volatility in capital markets continues



LibFin results – by portfolio

Rm	Jun 2009	Jun 2008
Physical investment portfolios	(421)	194
Derived mismatch exposures	(290)	42
Equity de-risking activity	(603)	0
Other (STC, bond interest, BEE prefs)	(127)	(49)
Tax	293	(68)
Total pre 90/10 allocation	(1 148)	119
90/10 planned margin*	(142)	
Total LibFin results	(1 290)	

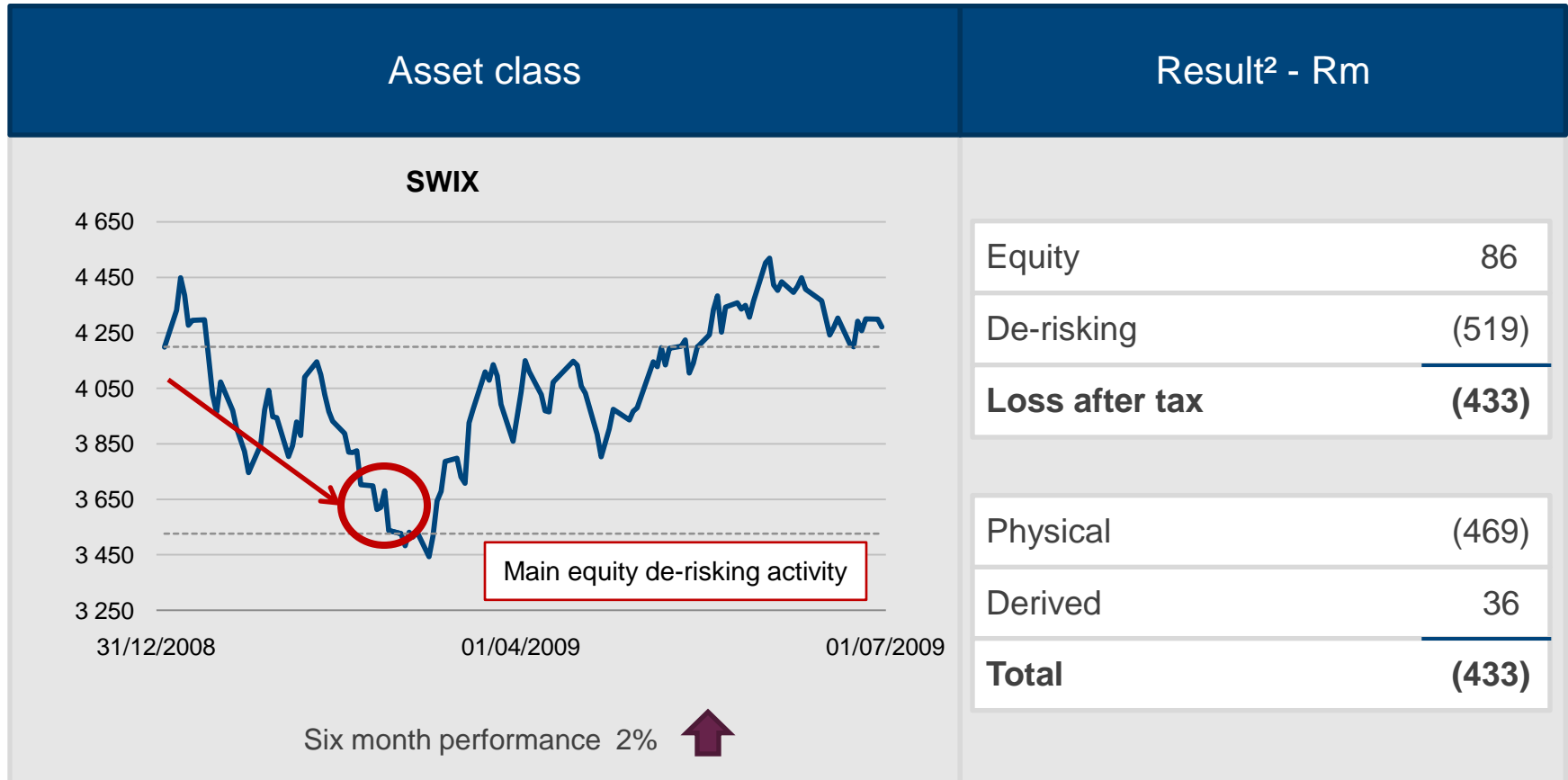
* 90/10 planned margin included in life earnings

LibFin results – by asset class*

Rm	2009 gross	2009 tax	2009 net
Equity	111	(25)	86
Equity de-risking activity	(603)	84	(519)
Foreign asset	(640)	109	(531)
Interest rates	(429)	126	(303)
Other minor asset classes	175	(56)	119
Total	(1 386)	238	(1 148)

* Best estimate asset class analysis

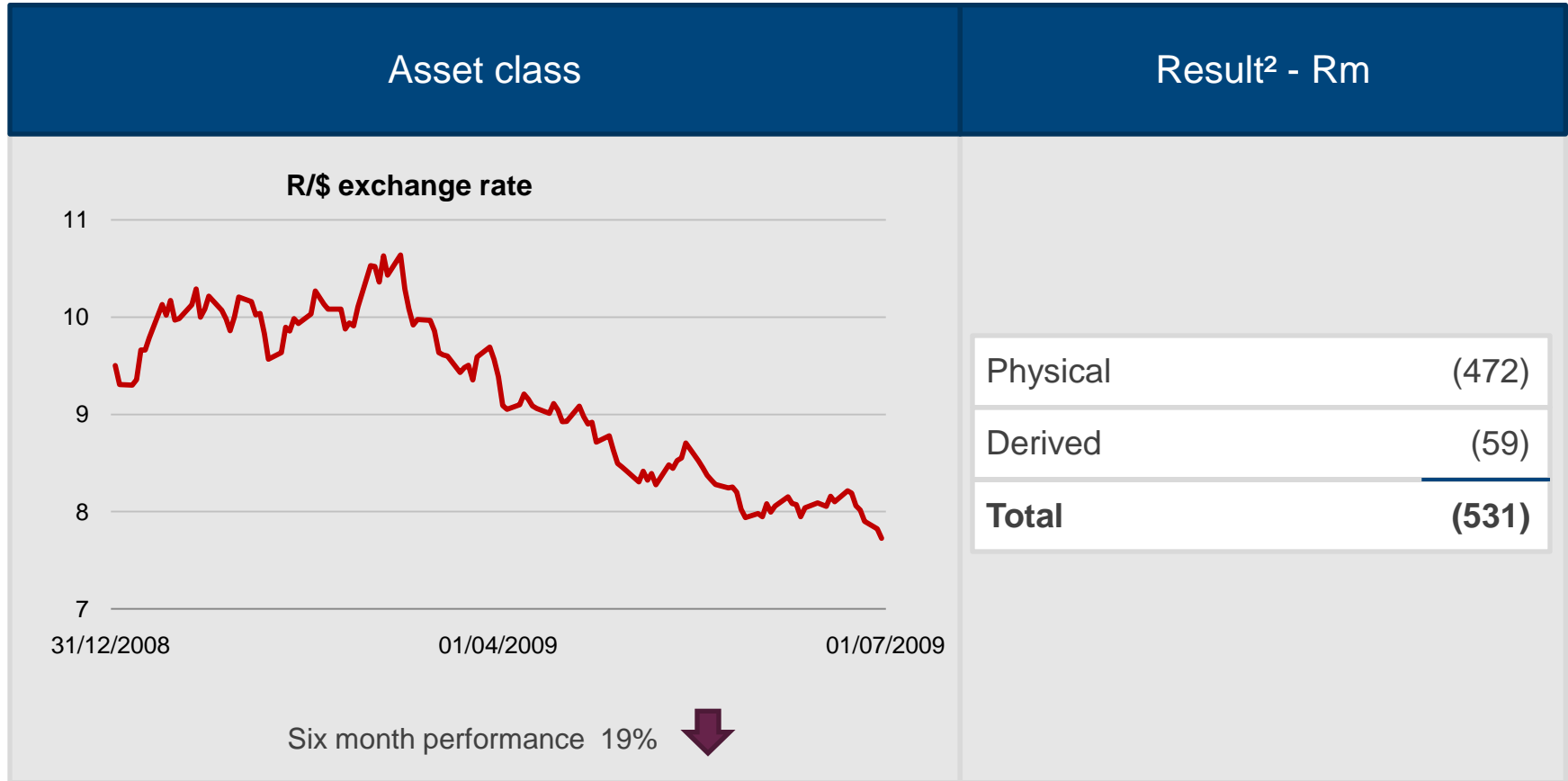
LibFin equity results



Equity position R2.2bn¹ net of hedges

1. Should not be construed as a forecast of positions to be carried going forward; refers to local equities
2. Result is subject to inherent limitations in the insurance AOS process

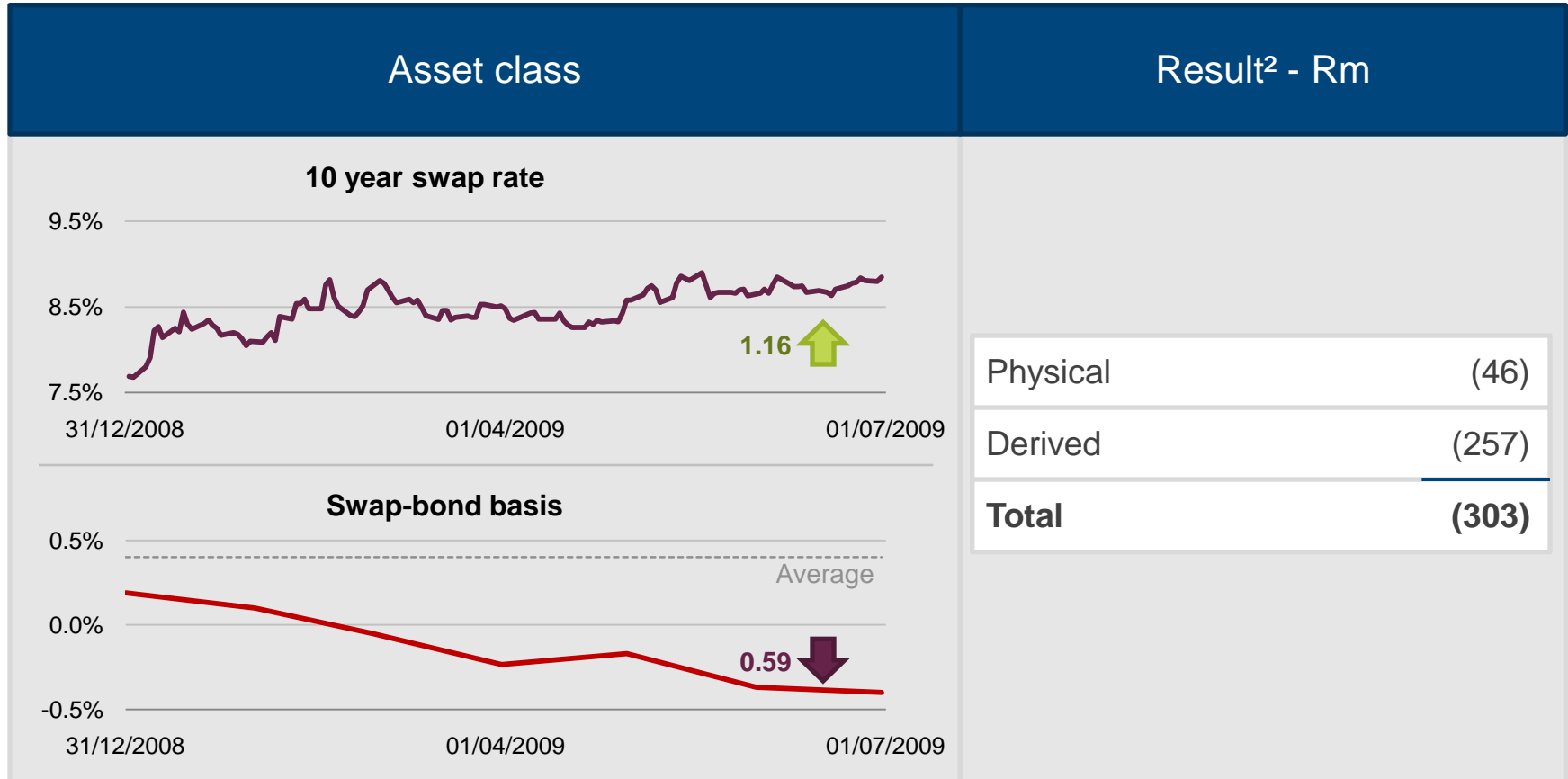
LibFin foreign asset results



Foreign asset position of R3.3bn¹

1. Should not be construed as a forecast of positions to be carried going forward
2. Result is subject to inherent limitations in the insurance AOS process

LibFin interest rate results



Broadly neutral position on interest rates¹

1. Should not be construed as a forecast of positions to be carried going forward
2. Result is subject to inherent limitations in the insurance AOS process

STANLIB results

Rm	Jun 2009	Jun 2008	% Δ
Net fee income	484	582	-17
Operating expenses	(277)	(294)	+6
Profit before investment income	207	288	-28
Other income	25	21	+19
Pre-tax profit before financing	232	309	-25
Preference dividends	(11)	(26)	+58
Taxation	(68)	(90)	+24
Headline earnings	153	193	-21
Attributable to Liberty	159	206	-23
Headline earnings	153	193	-21
Preference shares	6	13	-54

STANLIB pro-forma sales and cash flows

Rm - sales	Jun 2009	Jun 2008	% Δ
Retail sales	15 252	16 510	-8
Retail life multi-manager sales	636	1 735	-63
Institutional sales ex Money Market	1 853	3 035	-39
Money Market	55 938	40 781	+37
Total sales	73 679	62 061	+19

Rm - cash flows	Jun 2009	Jun 2008	% Δ
Retail ex Money Market	3 593	(4 824)	>100
Retail life multi-manager	(66)	952	n/a
Institutional ex Money Market	(16 914)	(6 265)	n/a
Money Market	8 667	7 083	+22
Total cash flows	(4 720)	(3 054)	-55

STANLIB assets under management

Rbn	Jun 2009	Dec 2008	% Δ
Retail	87	84	+4
Institutional	133	153	-13
Money Market	70	62	+13
Total assets	290	299	-3

Rbn	Jun 2009	Dec 2008	% Δ
Opening balance	299	327	-9
Market movement	(8)	(21)	+62
Net flows	(1)	(7)	+86
Closing assets	290	299	-3

Properties headline earnings

Rm	Jun 2009	Jun 2008	% Δ
Net fee income	89	76	+17
Profit before taxation	39	49	-20
Taxation	(11)	(14)	+21
Profit after taxation	28	35	-20
Fountainhead	6	3	+100

Liberty Africa results

Rm	Jun 2009	Jun 2008	% Δ
Liberty share	14	2	>100
Insurance operations	16	9	+78
Asset management	4	10	-60
Healthcare	1	-	-
Other – head office expenses	(7)	(17)	+59

Liberty Africa sales and cash flows

Rm	Jun 2009	Jun 2008	% Δ
Asset management			
Sales	7 693	7 598	+1
Cash flows	2 720	2 509	+8
Assets under management ¹	19 753	19 190	+3

Rm	Jun 2009	Jun 2008	% Δ
Insurance operations			
New business	20	30	-33
Indexed new business	17	26	-35
Cash flows	36	24	+50

Healthcare results – earnings analysis

Rm	Jun 2009
Revenue	214
Net operating profit	11
Net financing cost and amortisation	(40)
Profit before taxation	(29)
Taxation	11
Profit after taxation/headline earnings	(18)
Liberty share	(9)
Lives under management (thousands)*	Jun 2009
NHA – IT lives	1 192
VMed – medical administration lives	461

* This table reflects the base to the two different revenue streams
Virtually all of the VMed lives will be included in the NHA lives

Group costs

Rm	Jun 2009	Jun 2008	% Δ
Insurance operations	1 328	1 284	+3
Asset management	330	324	+2
Diversification initiatives – new acquisitions	90	-	-
Diversification initiatives – recurring	91	80	+14
Total Group costs	1 839	1 688	+9
Less: diversification initiatives – new acquisitions	(90)	-	-
Less: insurance non-recurring	(52)	(107)	+51
Comparable Group “like for like” recurring costs	1 697	1 581	+8

Cash distribution

Cents per share	Jun 2009	Jun 2008	% Δ
Interim	164	164	0



WAY FORWARD

Looking forward

- Gradual local economic recovery predicted over the next 18 months
- Remain committed to reverse the persistency trend
- Vigilant toward managing market risk
- Protect policyholder funds
- Maintain strong balance sheet and robust capital levels
- Committed to our long-term diversification strategy

Investment environment expected to be challenging
for the remainder of the year



QUESTIONS

APPENDICES

