

Analysis of ordinary shareholders' funds invested for the six months ended 30 June 2011

	Group funds invested		Contribution to earnings		
	30 June 2011 Rm	31 Dec 2010 Rm	30 June 2011 Rm	30 June 2010 Rm	31 Dec 2010 Rm
South African insurance operations	10 527	10 310	1 042	879	2 478
Insurance operating earnings excluding VIF amortisation			850	686	1 826
Secondary tax on companies – bancassurance dividends			(28)	(19)	(42)
Value of in-force (VIF) business acquired	383	440	(57)	(58)	(115)
Investment portfolios backing capital	9 341	9 043	221	229	698
Fixed assets and working capital ⁽¹⁾	2 803	2 827	145	130	290
Callable capital bonds	(2 000)	(2 000)	(89)	(89)	(179)
Asset management operations	540	503	234	207	457
STANLIB	272	230	190	164	361
Liberty Properties	68	79	40	38	86
Fountainhead	200	194	4	5	10
Business development initiatives	670	518	(12)	(23)	(77)
Liberty Africa	324	152	15	2	9
Total Health Trust	28	21	1		1
Liberty Health	228	246	(10)	(11)	(43)
Frank.net	90	99	(18)	(14)	(44)
Shareholder expenses and sundry income			(117)	(94)	(334)
Preference share dividend			(1)	(1)	(2)
Liberty Holdings	370	385			
Headline earnings			1 146	968	2 522
Preference share dividend			1	1	2
Goodwill and intangible assets impairments					(96)
Impairment of investment in joint venture					(14)
FCTR recycled through profit or loss					(21)
Liberty Holdings shareholders' funds/ total earnings	12 107	11 716	1 147	969	2 393
BEE normalised:					
Liberty Holdings shareholders' funds/ headline earnings	12 107	11 716	1 146	968	2 522
BEE preference shares	1 090	1 119	34	39	75
BEE normalised shareholders' funds/ headline earnings	13 197	12 835	1 180	1 007	2 597

⁽¹⁾ With effect from 1 July 2005 Liberty Group Limited established a working capital funding loan between insurance operations and shareholder assets, subsequently supported by the callable capital bonds issue. Inter-divisional interest is charged at 8,77% NACM which is equivalent to the callable capital bond's interest rate.

Analysis of group earnings

	30 June 2011 Rm	31 Dec 2010 Rm	31 Dec 2009 Rm
Retail SA planned margin release including annual contribution increases	728	1 379	1 254
Expected long-term rate of return on shareholder investment portfolio	542	1 136	1 007
BEE preference share income	34	75	93
Other businesses headline earnings and shareholder net expenses	137	173	97
Core operating earnings	1 441	2 763	2 451
Retail SA operating variances, assumption changes (excluding noted below) and other	(78)	(480)	(1 336)
Adjusted core operating earnings	1 363	2 283	1 115
LibFin market portfolio performance	70	269	297
Equity de-risking			(519)
Variance to long-term rate of return on shareholder investment portfolio	(253)	45	(758)
Headline earnings	1 180	2 597	135

Reconciliation of business unit earnings to segment result as at 30 June 2011

Business unit	Segment report					
	Retail Rm	Corporate Rm	Asset manage- ment Rm	Health services Rm	Other Rm	Total Rm
Retail SA	654				(4)	650
Corporate		47				47
LibFin	64	19			262	345
STANLIB			190			190
Liberty Properties			44			44
Liberty Africa	4	3	22	1	(14)	16
Liberty Health				(11)	1	(10)
Frank.net	10				(28)	(18)
Central overheads and sundry income	28		(3)	(22)	(120)	(117)
Total earnings attributable to equity holders	760	69	253	(32)	97	1 147
Preference share dividend					(1)	(1)
Net income earned on BEE preference shares					34	34
BEE normalised headline earnings	760	69	253	(32)	130	1 180

South African covered business embedded value

1. BEE normalised embedded value

	31 June 2011 Rm	31 Dec 2010 Rm
Risk discount rate ^(a)	11,37%	11,07%
Net worth	8 066	7 955
Ordinary shareholders' funds on published basis	11 055	10 870
BEE preference funding	1 090	1 119
Adjustment of ordinary shareholders' funds from published basis ^(b)	(3 525)	(3 411)
Adjustment for carrying value of in-force business acquired ^(c)	(383)	(440)
Allowance for fair value of share options	(171)	(183)
Net value of life business in-force	13 651	13 549
Value of business in-force	14 987	14 982
Cost of required capital	(1 336)	(1 433)
BEE normalised embedded value	21 717	21 504

2. BEE normalised embedded value earnings

	31 June 2011 Rm	31 Dec 2010 Rm
Embedded value at the end of the period	21 717	21 504
Adjustments arising from the group restructure	15	3 979
Intergroup dividends	850	1 092
Less embedded value at the beginning of the period	(21 504)	(24 051)
Embedded value earnings	1 078	2 524
Return on embedded value	10,3%	12,6%

South African covered business embedded value (continued)

3. Analysis of BEE normalised embedded value earnings

	30 June 2011				31 Dec 2010			
	Net worth Rm	Value of in-force covered business Rm	Cost of required capital Rm	Embedded value Rm	Net worth Rm	Value of in-force covered business Rm	Cost of required capital Rm	Embedded value Rm
Embedded value at the end of the period	8 066	14 987	(1 336)	21 717	7 955	14 982	(1 433)	21 504
Plus dividends paid	850			850	1 092			1 092
Adjustments arising from group restructure	8	7		15	4 074	(93)	(2)	3 979
Embedded value at the beginning of the period	(7 955)	(14 982)	1 433	(21 504)	(11 504)	(13 957)	1 410	(24 051)
Embedded value earnings	969	12	97	1 078	1 617	932	(25)	2 524
Components of embedded value earnings								
Value of new business written in the period	(441)	598	(20)	137	(936)	1 221	(33)	252
Expected return on value of life business ^(d)		818	7	825		1 611	8	1 619
Expected net of tax profit transfer to net worth	1 218	(1 218)			2 371	(2 371)		
Operating experience variances ^(e)	11	125	106	242	64	270	(7)	327
Operating assumption changes ^(h)	22	8		30	(163)	(249)	22	(390)
Embedded value earnings from operations	810	331	93	1 234	1 336	482	(10)	1 808
Investment return on net worth	140			140	347			347
Investment variances	(23)	(238)		(261)	(125)	84		(41)
Changes in economic assumptions ⁽ⁱ⁾	(37)	(82)	4	(115)	121	225	(15)	331
Changes in modelling methodology	67	1		68	(34)	141		107
Change in allowance for fair value of share options/rights ^(j)	12			12	(28)			(28)
BEE normalised embedded value earnings	969	12	97	1 078	1 617	932	(25)	2 524

South African covered business embedded value (continued)

4. Notes to embedded value

- a) Future investment returns on major asset classes and other economic assumptions have been set with reference to the market yield on medium-term South African government stock.

	Investment return p.a.	
	30 June 2011 %	31 Dec 2010 %
Government stock	8,57	8,27
Equities	12,07	11,77
Property	9,57	9,27
Cash	7,07	6,77
The risk discount rate has been set equal to the risk free rate plus 80% of the equity risk premium	11,37	11,07
Maintenance expense inflation rate	5,57	5,27

- b) *Adjustment of ordinary shareholders' funds from the published basis*

The amounts represent the change in the amount of shareholder funds as a result of moving from a published valuation basis to the statutory valuation basis. This is largely due to the elimination of certain negative rand reserves on the statutory valuation basis. The reduction in net worth results in a corresponding increase in the value of in-force.

- c) *Adjustment for carrying value of in-force business acquired*

The carrying value of business acquired by Liberty has been deducted from shareholders' funds in order to avoid double counting. For embedded value purposes, the value in respect of this acquired business is included in the value of life business in-force.

	30 June 2011 Rm	31 Dec 2010 Rm
Investec Employee Benefits (IEB)	(19)	(25)
Capital Alliance Holdings Limited (CAHL)	(344)	(393)
Business previously acquired by CAHL	(20)	(22)
	(383)	(440)

- d) The expected return on the value of life business is obtained by applying the previous year's discount rate to the value of life business in force at the beginning of the period and the current year's discount rate for half a year to the value of new business.
- e) Taxation has been allowed for at rates and on bases applicable to Section 29A of the Income Tax Act. Full taxation relief on expenses to the extent permitted was assumed. Capital gains taxation has been taken into account in the embedded value.
- f) *Other bases, bonus rates and assumptions*
Parameters reflect best estimates of future experience, consistent with the valuation bases used by the statutory actuaries, excluding any compulsory or discretionary margins. However, in contrast to the assumptions in the valuation basis, the embedded value makes allowance for automatic premium and benefit increases.
- g) Operating experience variances consist of the combined effect on net worth and value of in-force of operating experience being different to that anticipated at the prior year end.

South African covered business embedded value (continued)

4. Notes to embedded value (continued)

The net 30 June 2011 operating experience variance of R242 million comprised:

Operating experience variances	Net worth Rm	Value of in-force covered business Rm	Cost of required capital Rm	Embedded value Rm
Mortality and morbidity	42	55		97
Persistency	(17)	67		50
Expenses	(48)			(48)
Other	34	3	106	143
Total	11	125	106	242

The expense variance comprises project costs which are not reserved for in the embedded value less underspend on shareholder expenses.

h) The amount of R30 million operating assumption changes comprises:

Operating assumption changes	Net worth Rm	Value of in-force covered business Rm	Cost of required capital Rm	Embedded value Rm
Mortality and morbidity	(122)	(5)		(127)
Reduced asset management fees	72	1		73
Other	72	12		84
Total	22	8		30

Mortality assumption changes comprise mainly a strengthening of the assumed future mortality for annuitants. Reduced asset management fees arose from lower fees negotiated on some asset portfolios.

Other comprises a large number of minor adjustments to assumptions.

- i) The amount of negative R115 million (2010: R331 million) relates to changes in economic assumptions as described in note a.
- j) The amount of R12 million (2010: negative R28 million) in respect of the change in the fair value of share options/rights arises from the change in the number of shares under option/share rights for staff employed by Liberty Group Limited and the increase in the market value of Liberty Holdings Limited share price over the reporting period.
- k) The assets backing the required capital are consistent with the long-term strategic mix of shareholder funds approved by the Liberty Holdings Board in November 2009.

Long-term insurance – New business by distribution channel⁽¹⁾

Rm	Recurring premiums		Single premiums		Indexed premiums		Total premiums	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Retail	1 928	1 904	5 490	4 663	2 477	2 371	7 418	6 567
Broker	506	517	1 817	1 457	688	663	2 323	1 974
Bancassurance	778	733	1 506	1 298	929	863	2 284	2 031
Tied channels ⁽²⁾	540	511	2 106	1 848	750	696	2 646	2 359
Other	104	143	61	60	110	149	165	203
Corporate	232	199	423	477	274	246	655	676
Broker	133	121	171	265	150	147	304	386
Bancassurance	4	1			4	1	4	1
Tied channels ⁽²⁾	35	32	100	139	45	46	135	171
Other	60	45	152	73	75	52	212	118
Total new business	2 160	2 103	5 913	5 140	2 751	2 617	8 073	7 243

⁽¹⁾ Includes premium escalation for Retail SA; excludes STANLIB multi-manager.

⁽²⁾ Tied channels include Agency, Franchise and Liberty@work.

Long-term insurance – New business by distribution channel⁽¹⁾ – (%)

%	Recurring premiums		Single premiums		Indexed premiums		Total premiums	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Retail	100	100	100	100	100	100	100	100
Broker	26	27	33	31	28	28	31	30
Bancassurance	40	38	27	28	38	36	31	31
Tied channels ⁽²⁾	28	27	39	40	30	29	36	36
Other	6	8	1	1	4	7	2	3
Corporate	100	100	100	100	100	100	100	100
Broker	57	61	40	56	55	60	46	57
Bancassurance	2	1			4		1	
Tied channels ⁽²⁾	15	16	24	29	16	19	21	25
Other	26	22	36	15	25	21	32	18

⁽¹⁾ Includes premium escalation for Retail SA; excludes STANLIB multi-manager.

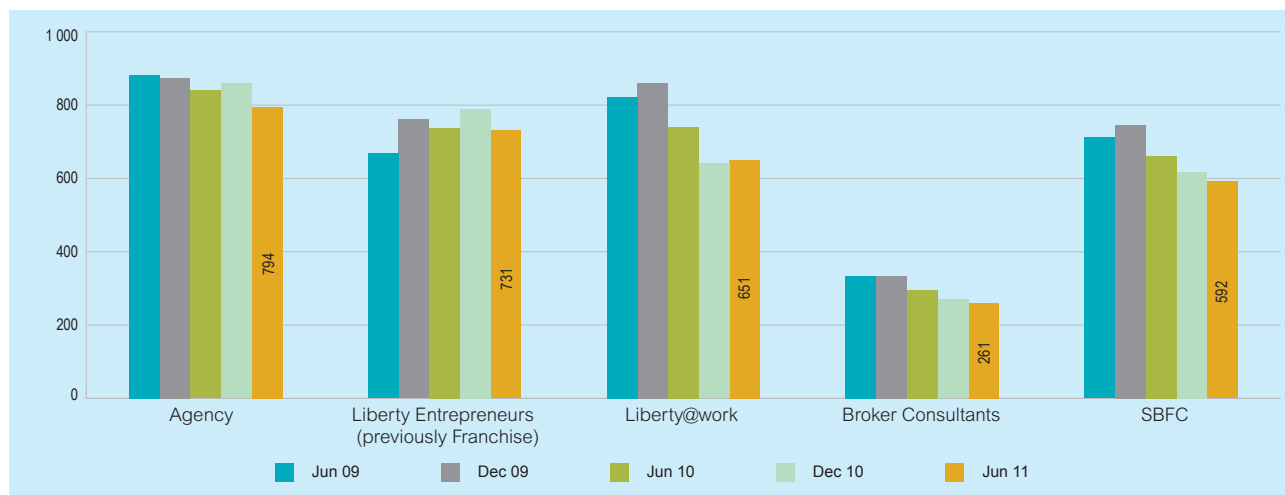
⁽²⁾ Tied channels include Agency, Franchise and Liberty@work.

Total long-term insurance premiums⁽¹⁾

	Recurring premiums		Single premiums		Total premiums	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Retail SA	7 102	6 716	5 465	4 729	12 567	11 445
Corporate	2 980	2 753	677	487	3 657	3 240
Liberty Africa	134	72	12	5	146	77
Total premiums	10 216	9 541	6 154	5 221	16 370	14 762
% change Retail SA	5,8		15,6		9,8	
% change Corporate	8,2		39,0		12,9	
% change Liberty Africa	86,1		>100		89,6	
Indexed premiums					10 832	10 064
Retail SA					7 649	7 189
Corporate					3 048	2 802
Liberty Africa					135	73

⁽¹⁾ Excludes STANLIB multi-manager and Frank.net.

South African insurance distribution headcount



Maintenance costs per policy – Retail SA

	30 June 2011	31 Dec 2010
Valuation basis – R		
Complex	373	363
Simplex	186	182
Annuities	186	182

Negative rand reserves⁽¹⁾ – Retail SA

	30 June 2011 Rm	31 Dec 2010 Rm
Published IFRS basis	14 832	14 880
Statutory basis	10 292	10 511

⁽¹⁾ Gross of taxation.

LibFin – Shareholders investment portfolio percentage allocation

	30 June 2011				31 Dec 2010			
	Assets backing capital	Assets backing life funds	90:10 exposure	Total	Assets backing capital	Assets backing life funds	90:10 exposure	Total
Local equities		7	10	17	10	1	12	23
Local bonds, cash and property	25	24	6	55	22	25	6	53
Local preference shares	9			9	9			9
Foreign assets	14		5	19	11		4	15
Total	48	31	21	100	52	26	22	100

Taxation note:

The taxation treatment of income derived from assets backing capital is the normal taxation rules applicable to life investment portfolios. The taxation applicable to income derived from assets backing life funds and the 90:10 exposure is determined by the tax rates pertaining to each life tax fund to which the assets are allocated (I-E tax). In addition there is transfer tax at 28% on the net surplus, after the applicable I-E tax.

Corporate trend analysis

	30 June 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
Risk underwriting profit (Rm)	173	357	354	381
Risk revenues (Rm)	879	1 702	1 792	1 810
Risk underwriting margin (%)	20	21	20	21
Free earning assets (Rbn)	37	34	33	36
Asset based management fees (Rm)	153	282	259	289
Administration and other income (Rm)	82	160	197	165
Cost to income ratio (%)	78	76	76	67

Long-term policyholder liabilities IFRS reconciliation

	30 June 2011 Rm	30 June 2010 Rm
Policyholder liabilities at beginning of the year net of reinsurance⁽¹⁾	197 031	183 512
Additions through business acquisitions	1 070	
Transfers to/(from) policyholder liabilities	858	(2 019)
Net premium income from insurance contracts	11 804	10 657
Net inflows from investment contracts	4 582	4 149
Net premium income and inflows from investment contracts	16 386	14 806
Investment returns	5 111	2 653
Claims, policyholder benefits and payments	(15 268)	(15 071)
Acquisition costs	(1 314)	(1 256)
Management expenses	(2 499)	(2 135)
Taxation	(728)	(386)
Operating profit from insurance operations	(830)	(630)
Foreign currency translation reserve	(77)	
Policyholder liabilities at end of period net of reinsurance	198 882	181 493
Reinsurance assets	862	856
Policyholders liabilities at end of period as published	199 744	182 349

⁽¹⁾ 2010 opening balance restated for R756 million deferred tax resulting from the adoption of the IAS 12 Amendment.

STANLIB net cash flows and AUM by asset category

	Net cash flows		AUM	
	30 June 2011 Rm	30 June 2010 Rm	30 June 2011 Rm	31 Dec 2010 Rm
Retail	3 481	2 724	145 494	146 618
Fixed interest	1 593	(421)	21 560	20 578
Equity	(267)	171	11 493	10 632
Property	(334)	625	7 531	4 392
Money Market	(696)	1 594	38 629	42 545
Other	3 185	755	66 281	68 471
Institutional	(4 593)	3 727	93 697	86 076
Fixed interest	(1 633)	(187)	5 993	5 335
Equity	(758)	(6 123)	8 675	8 511
Property	(456)	(48)	6 672	7 784
Money Market	(2 216)	9 710	45 016	45 121
Other	470	375	27 341	19 325
Liberty – intergroup	(9 454)	(9 919)	115 895	122 478
Total	(10 566)	(3 468)	355 086	355 172

Note: Certain portfolios have been reclassified between institutional and retail effective 1 January 2011.

STANLIB AUM breakdown by source and asset type

	Money market (incl cash)	Fixed interest	Equity	Property	Other	Absolute return	Balanced	International	Structured	Retail life	LISP	Total
June 2011												
Retail		20 835	9 524	4 389		1 462	7 263	4 175				47 648
Collective Investments											50 120	50 120
Linked Investment and Structured Products												38 629
Money market	38 629											38 629
Multi-manager Collective Investments		725	1 969	3 142		1 233	2 028					9 097
Institutional												
Segregated funds	983	5 993	8 675	6 672	1	254	9 814	1 552		14 737		33 944
Multi-manager funds												14 737
Money market	45 016											45 016
Liberty – intergroup	5 040	22 681	40 596	1 295	632	10 987	8 540	14 962	11 162			115 895
STANLIB total	89 668	50 234	60 764	15 498	633	13 936	27 645	20 689	11 162	14 737	50 120	355 086
December 2010												
Retail		20 577	10 632	4 392		1 816	4 951	4 738				47 106
Collective Investments											47 935	47 935
Linked Investment and Structured Products												42 545
Money market	42 545											42 545
Multi-manager Collective Investments		422	2 036	3 084		717	1 949	824				9 032
Institutional												
Segregated funds		4 913	6 475	4 700	1 186	46	7 222	2 845		13 568		27 387
Multi-manager funds												13 568
Money market	45 121											45 121
Liberty – intergroup	5 839	26 153	45 170	1 325	484	12 889	8 529	11 337	10 752			122 478
STANLIB total	93 505	52 065	64 313	13 501	1 670	15 468	22 651	19 744	10 752	13 568	47 935	355 172

STANLIB performance analysis

	Performance %								
	3 month			12 month			3 year (annualised)		
	Actual	Bench- mark	Over/ (under) perfor- mance	Actual	Bench- mark	Over/ (under) perfor- mance	Actual	Bench- mark	Over/ (under) perfor- mance
June 2011 Major component portfolio Balanced Funds – Preferred Assets ⁽¹⁾	1,39	1,20	0,19	19,72	19,29	0,43	8,14	8,61	(0,47)

⁽¹⁾ Performance of the Preferred Assets portfolio serves as a proxy for the performance of the majority of Liberty's Balanced Funds.

Properties trend analysis

	30 June 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
Net portfolio (Rbn)	23	22	20	18
Net property income (Rm)	674	1 340	1 266	1 240
Property management fees (Rm)	72	135	125	114
Asset management fees (Rm)	19	31	23	20

Liberty Africa – AUM

	30 June 2011 Rm	30 June 2010 Rm	31 Dec 2010 Rm
Opening market value	29 005	22 347	22 347
Net inflows	1 070	5 283	6 480
Capital appreciation	668	999	178
Closing market value	30 743	28 629	29 005
Segregated funds	19 674	18 801	18 409
Unit trusts	1 532	1 027	1 295
Money market	9 537	8 801	9 301
Total AUM	30 743	28 629	29 005

Liberty Africa – AUM by geographical location

	30 June 2011 Rm	30 June 2010 Rm	31 Dec 2010 Rm
Southern Region⁽¹⁾	18 797	17 631	18 338
Cash	9 119	8 711	8 905
Equity	972	696	893
Income	354	209	222
Property	191	115	160
Segregated	8 161	7 900	8 158
Eastern Region⁽²⁾	11 946	10 998	10 667
Cash	418	90	396
Equity	15	7	20
Segregated	11 513	10 901	10 251
Total AUM	30 743	28 629	29 005
Combined			
Cash	9 537	8 801	9 301
Equity	987	703	913
Income	354	209	222
Property	191	115	160
Segregated	19 674	18 801	18 409
	30 743	28 629	29 005

⁽¹⁾ Southern region = Botswana, Swaziland, Lesotho and Namibia.

⁽²⁾ Eastern region = Kenya, Tanzania and Uganda.