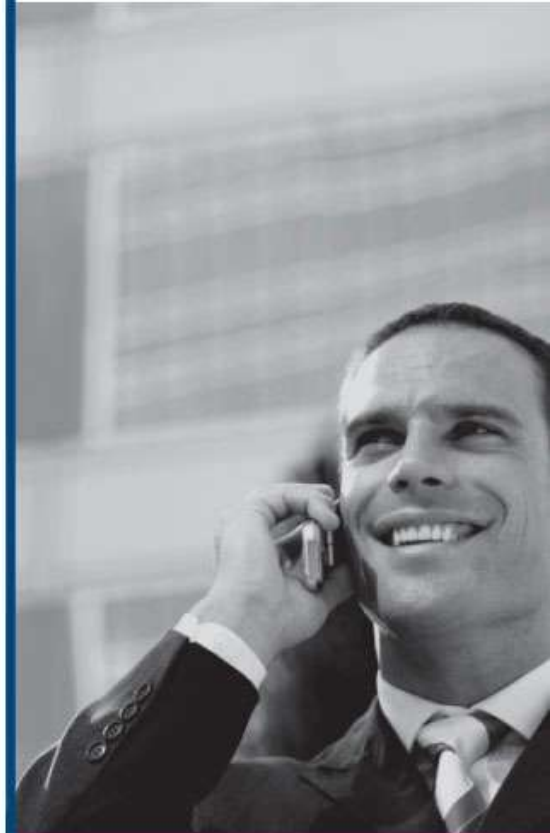
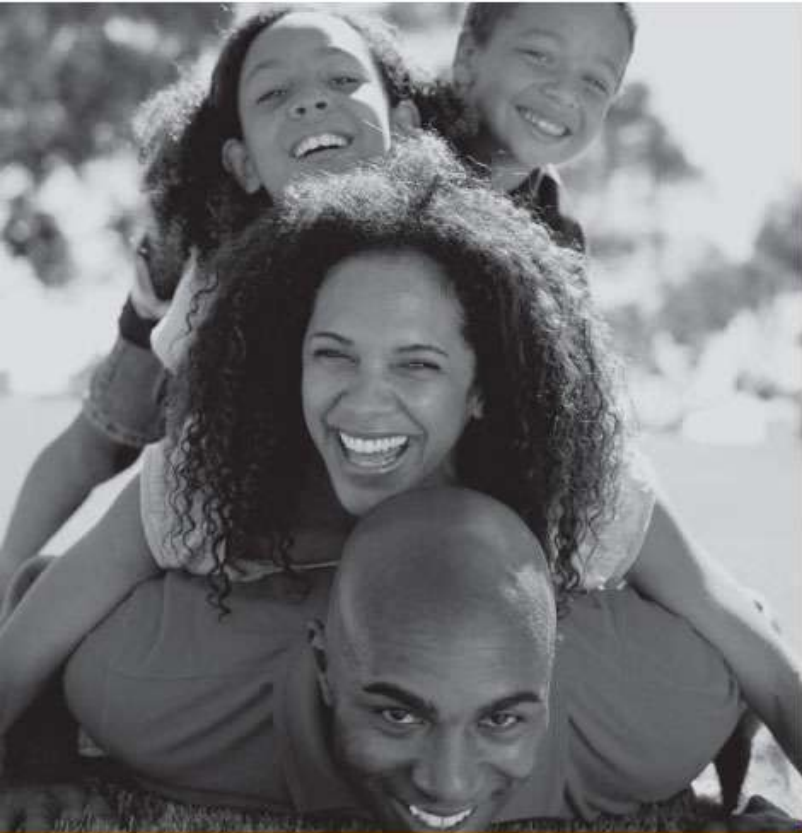


# Liberty Group



# **Bruce Hemphill – Group CEO**

## **Introduction and overall update**

# Liberty's history post Standard Bank acquiring control 1998 to 2003

- Standard Bank acquires control of Liberty Life from Donald Gordon (founder and chairman)
- Donald Gordon retires
- Liberty Life changes name to Liberty Group and acquires 100% of the Liberty Ermitage Group from Liberty International PLC
- Capital returned to shareholders through unbundling of non-core assets and cash
- Bancassurance agreement signed with Standard Bank
- STANLIB formed in 2001 through a combination of Liberty and Standard Bank's asset management businesses

Maturing from a “family run” business

## Liberty's history post Standard Bank acquiring control 2003 to 2006

- Rationalisation of the Group commences, moving to a front and a back office structure
- Capital Alliance acquired to bring efficiencies into the back office operations
- Cost reduction strategy adopted
- Safika consortium acquires a 25.2% stake in STANLIB
- BEE entities acquire 10% of Liberty Life South African operations.
- First South African life insurer to introduce qualifying debt capital through a R2bn corporate bond issue
- Consumerism and pension fund adjudicator rulings, lead to industry settlement on enhanced termination values for policyholders
- Liberty sells offshore subsidiaries to become a focused, South African life insurer

Restructuring the business with strong focus on costs

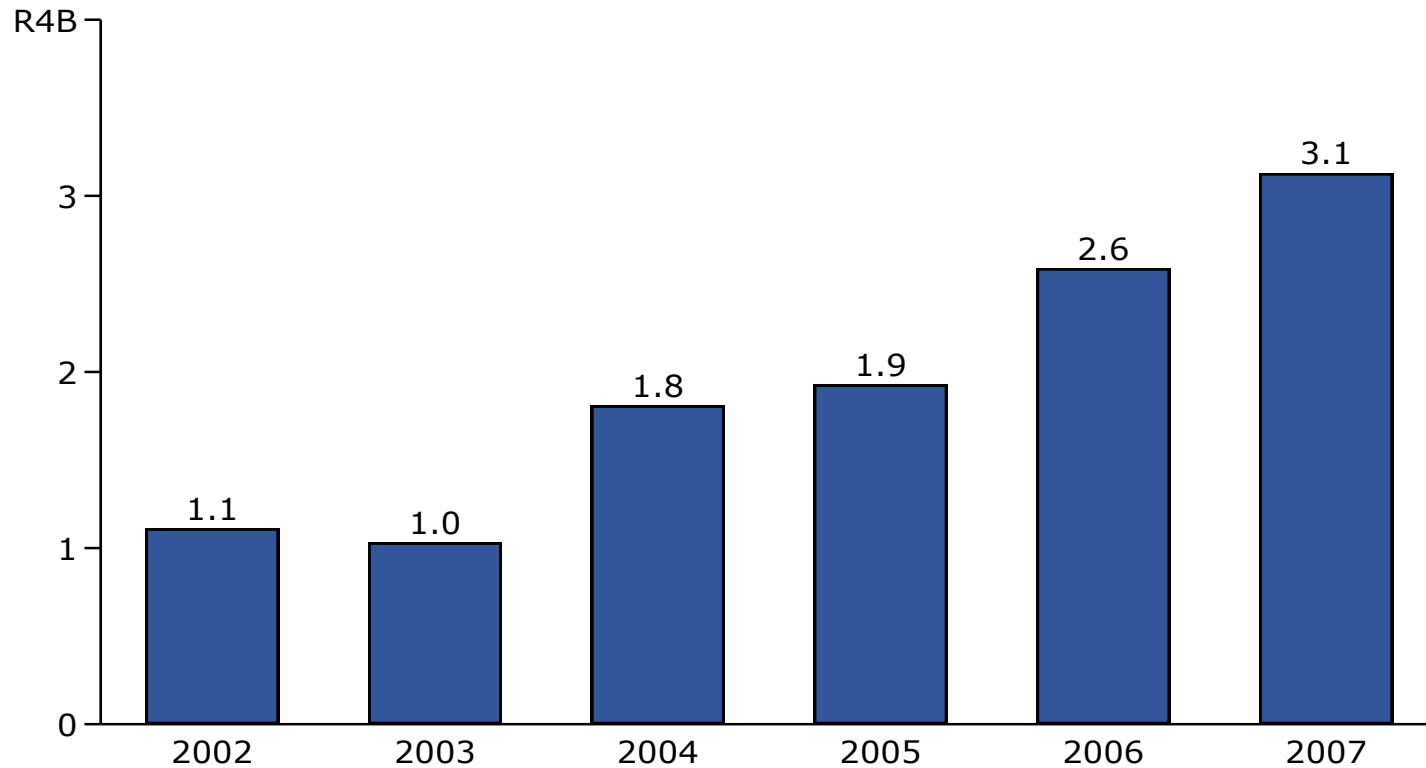
# Liberty's history post Standard Bank acquiring control 2006 to present

- Increased stake in STANLIB to 100%
- Repositioned STANLIB as an investment house through improved performance
- Integrated Liberty and STANLIB Marketing and Distribution
- Introduced best practice risk-based capital management
- Created central treasury and balance sheet manager (LibFin)
- Repositioned Liberty Properties for growth
- Created a unique health business model
- Developed and begun to operationalise Africa expansion strategy
- Changing Group structure to improve capital management

Repositioning Liberty for growth

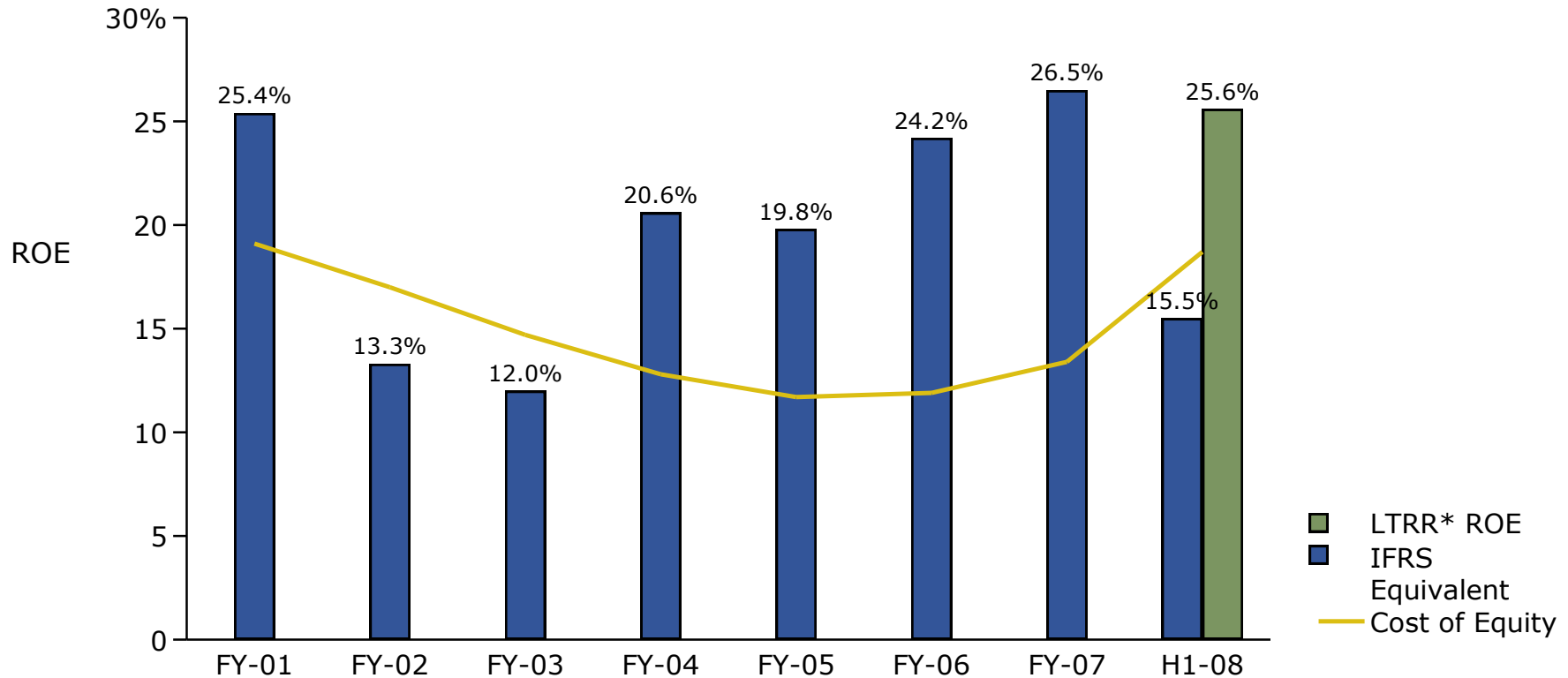
# Financial performance: Headline earnings

BEE normalised earnings (blue bar)



**Earnings geared to market performance**

# Financial performance: Return on equity (ROE) vs cost of equity (COE)

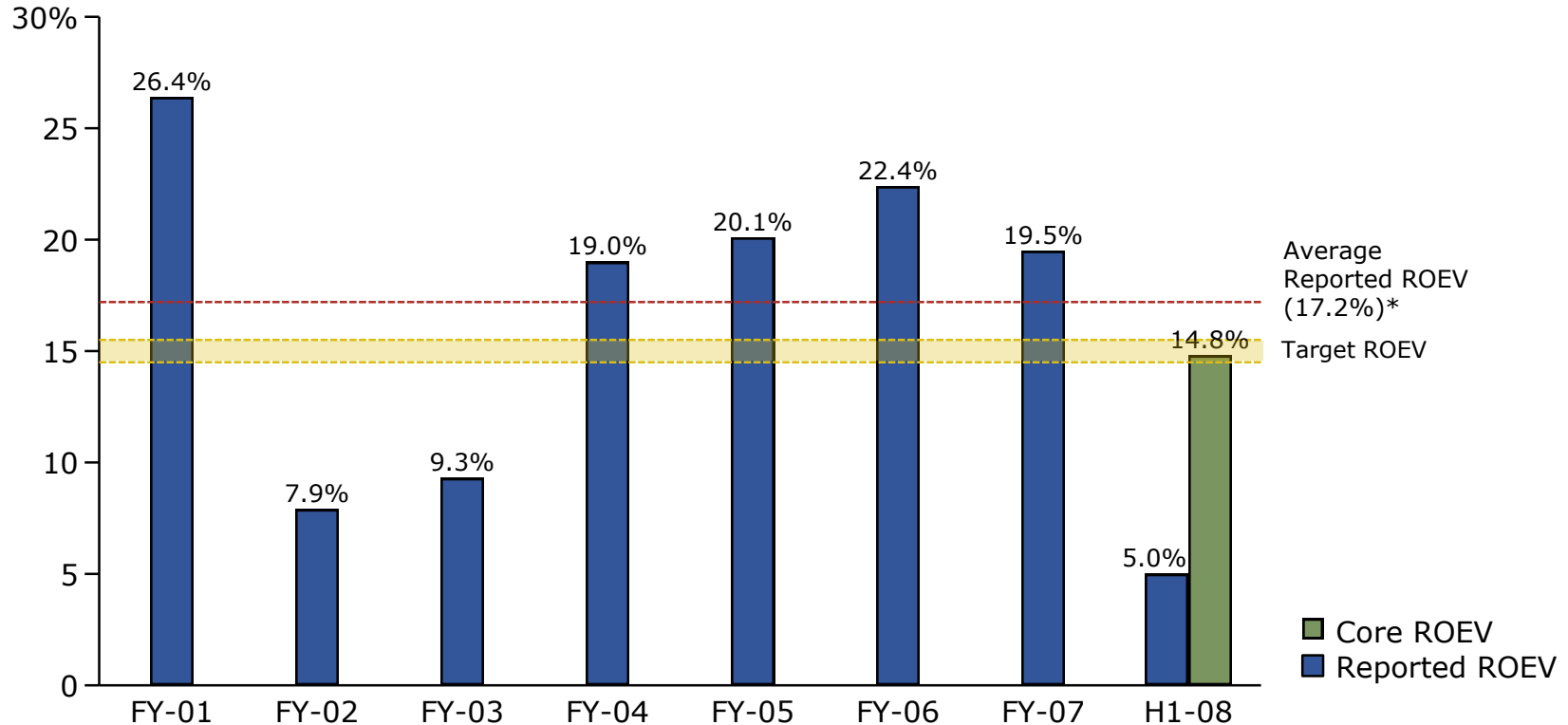


**Improved ROE driven by equity markets, cost control and capital efficiency**

\* Long term rate of return  
 Note: 7.5 year average: ROE 21.0% and COE 14.9%  
 Source: Liberty management estimates

# Financial performance: Targeted return on embedded value (ROEV) of 14.5% to 15.5%

Return on Embedded Value (ROEV)



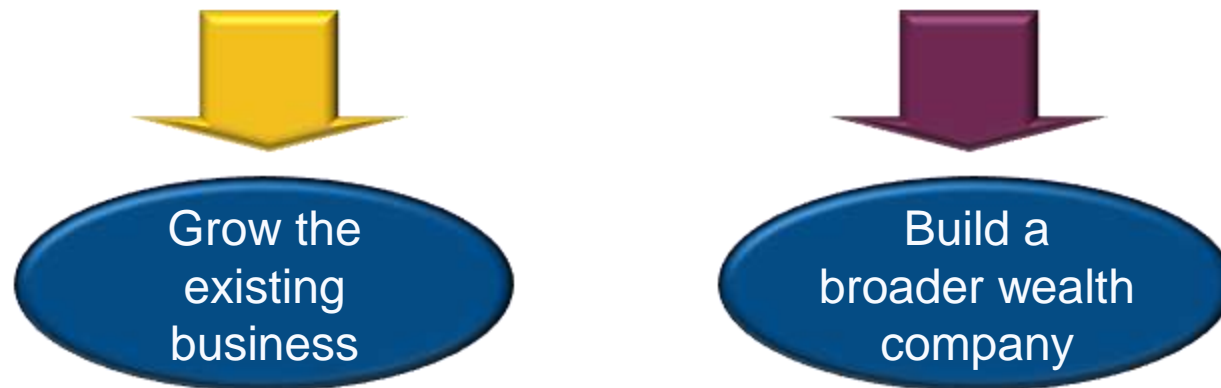
**Average ROEV above medium term targets**

\* 7.5 year average  
 Source: Liberty estimates



## It is valuable to recap on how we got here...

- In 2006 the Liberty Life Board gave the executive team a two-fold mandate

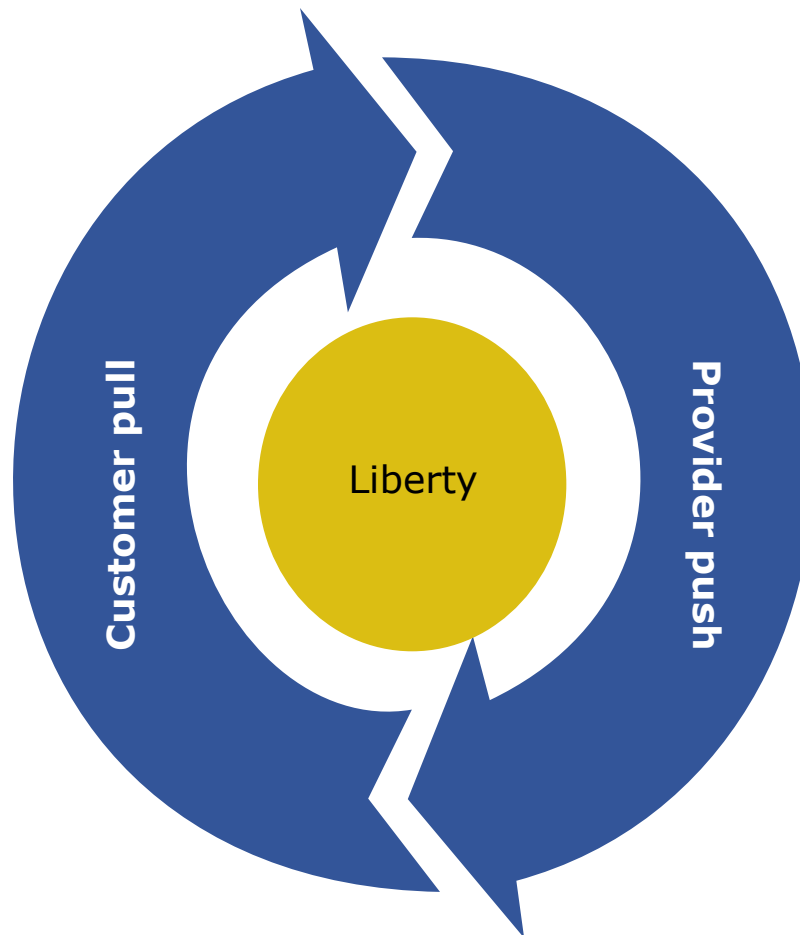


- This mandate was translated into a Strategic Intent
- “In terms of the longer term prospect for growth, our vision is to expand the business into a broader wealth offering, creating a powerful family of specialised financial services businesses focused on delivering financial solutions to clients”

# Financial services providers are pursuing integrated wealth management strategies in order to meet changing customer demands and improve company performance

## Changing customer demands

- Varying wealth management needs over lifetime
- Convenience of a one-stop shop
- Wealth management solutions vs. standalone products
- Attractively priced product bundles



## Improved company performance

- Revenue synergies
- Cost synergies
- Capital efficiencies
- Improved persistency
- Risk and earnings diversification
- Strategic flexibility

Liberty strategy: a response to changing customer demands and need to improve Group performance

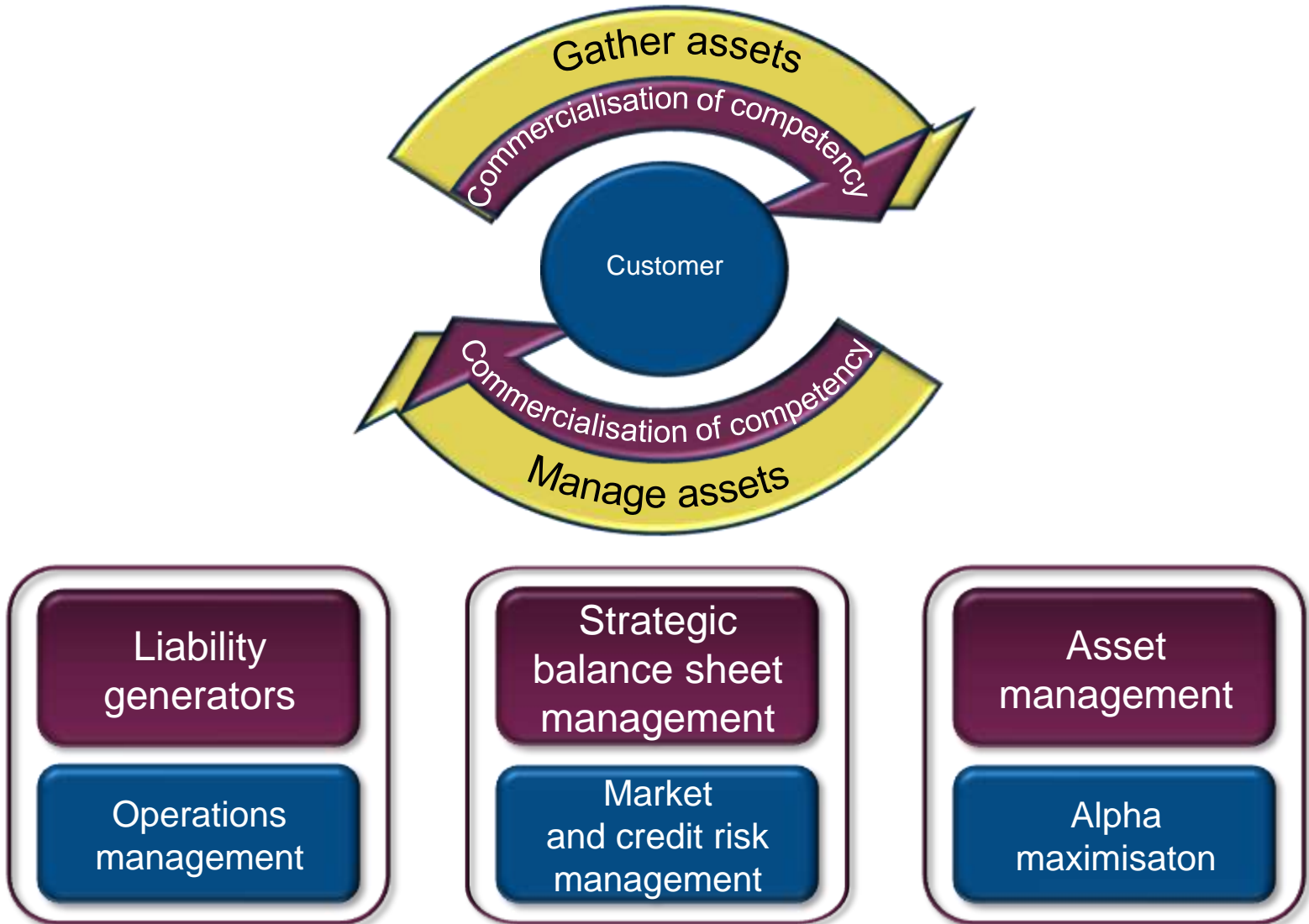
## The Liberty vision

Liberty will be the market leading wealth management company in Africa, while entering growth markets which allows us to use our points of difference to make a meaningful contribution to the Group

We are a family of specialised businesses and partnerships informed by customer needs

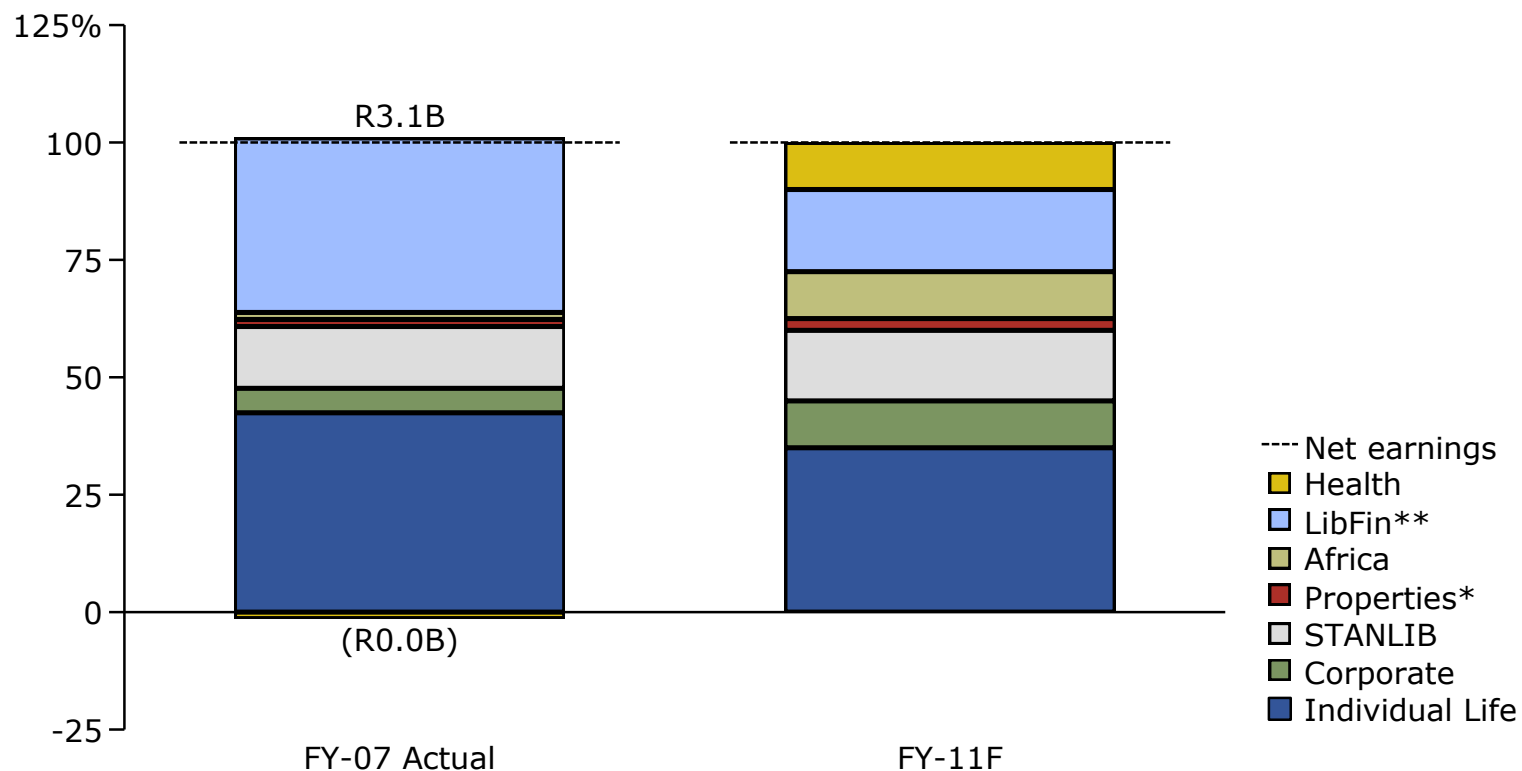
Our unique strength lies in our ability to leverage the power of both our specialisation and the strength of the collective Group, and to execute by enlisting and partnering with our people

At the heart of the Liberty model is the customer and the ability for Liberty to gather and manage customers' assets effectively



# Implementing the new vision will enable us to further diversify our earnings

BEE normalised earnings



\* Includes Fountainhead

\*\* Includes earnings from shareholder asset base and insurance operations

Source: Liberty