



LIBERTY

Liberty Holdings Limited
Supplementary
information

2017

For the six months ended 30 June

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Analysis of ordinary shareholders' equity

for the six months ended 30 June 2017

Rm	Group funds invested			Contribution to earnings		
	30 June 2017	30 June 2016	12 months 31 December 2016	30 June 2017	30 June 2016	12 months 31 December 2016
South African insurance	18 369	19 096	18 505	1 298	1 657	2 415
Insurance operating surplus				776	998	1 663
Present value of in-force business	14	20	17	(3)	(10)	(13)
Investment portfolios	15 560	13 815	14 686	552	605	703
Fixed assets and working capital ⁽¹⁾	7 295	8 761	8 302	115	170	293
Subordinated notes (excluding accrued interest)	(4 500)	(3 500)	(4 500)	(142)	(106)	(231)
Other insurance	1 188	1 102	1 212	(19)	(20)	(42)
Liberty Africa Insurance	815	772	808	20	11	41
Growth initiatives				(20)	(20)	(38)
Liberty Health	373	330	404	(19)	(11)	(45)
Asset management ⁽⁴⁾						
STANLIB South Africa	809	762	777	115	249	459
STANLIB Rest of Africa	(19)	256	104	(118)	18	(97)
Central overheads and sundry income				(13)	(90)	(222)
Liberty Holdings Limited	1 273	816	1 408			
Liberty Two Degrees (L2D) consolidation adjustment ^{(2) (3)}	158		(330)	278		(304)
Preference share dividend				(1)	(1)	(2)
Headline earnings				1 540	1 813	2 207
Preference share dividend				1	1	2
Liberty Holdings shareholders' equity/total earnings	21 778	22 032	21 676	1 541	1 814	2 209
Normalised:						
Liberty Holdings shareholders' equity/headline earnings	21 778	22 032	21 676	1 540	1 813	2 207
BEE preference shares	142	204	148	5	8	16
Liberty Two Degrees normalisation adjustment ^{(2) (3)}	(158)		330	(278)		304
Normalised shareholders' equity/headline earnings	21 762	22 236	22 154	1 267	1 821	2 527

⁽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 subordinated notes issued. Inter-divisional interest is charged at 8,77% naom.

⁽²⁾ Represents the difference between Liberty's share of the net asset value of L2D at the end of the period and the listed price of L2D units multiplied by the number of units in issue to Liberty at the end of the period.

⁽³⁾ Reversal of the accounting mismatch arising on consolidation of the policyholders obligation linked to L2D units.

⁽⁴⁾ Asset management customer facing unit includes the asset management capabilities under STANLIB South Africa and STANLIB Rest of Africa business units, which are managed separately, with each business having its own accountable executive.

Analysis of group earnings – core earnings

for the six months ended 30 June 2017

Rm	30 June 2017	30 June 2016	12 months 31 December 2016
Individual Arrangements planned margin release including annual contribution increases	1 008	913	1 805
Individual Arrangements credit life	81	82	160
Individual Arrangements VIF amortisation	(3)	(10)	(12)
LibFin Markets	168	130	318
Expected long-term rate of return on Shareholder Investment Portfolio ⁽¹⁾	779	747	1 485
Other businesses headline earnings	49	252	303
Group Arrangements	61	68	149
Liberty Corporate	80	88	191
Liberty Africa Insurance	20	11	41
Liberty Health	(19)	(11)	(45)
Growth initiatives	(20)	(20)	(38)
Asset management⁽²⁾			
STANLIB South Africa	115	249	459
STANLIB Rest of Africa	(118)	18	(97)
Central overheads and sundry income	(9)	(83)	(208)
Centre overheads and sundry income	(14)	(91)	(224)
BEE preference share income	5	8	16
Core operating earnings	2 082	2 114	4 059
Individual Arrangements new business strain	(397)	(270)	(611)
Individual Arrangements operating variances, assumption changes and other	(92)	3	(223)
Adjusted core operating earnings	1 593	1 847	3 225
Variance to long-term rate of return on Shareholder Investment Portfolio	(326)	(26)	(698)
Normalised headline earnings	1 267	1 821	2 527

⁽¹⁾ The expected long-term rate of return on the SIP portfolio is based on the long-term view to avoid volatility in the core operating earnings.

⁽²⁾ Asset management customer facing unit includes the asset management capabilities under STANLIB South Africa and STANLIB Rest of Africa business units, which are managed separately, with each business having its own accountable executive

Reconciliation of business unit earnings to segment result

for the six months ended 30 June 2017

Business unit (Rm)	Individual Arrangements	Group Arrangements	Asset management ⁽¹⁾	Other	Total
30 June 2017					
Individual Arrangements	597				597
Group Arrangements		61			61
Liberty Corporate		80			80
Liberty Africa Insurance		20			20
Growth initiatives		(20)			(20)
Liberty Health		(19)			(19)
LibFin (Markets and Investments)	(118)	72		667	621
LibFin Markets - credit portfolio	87	51			138
LibFin Markets - asset/liability matching	24	15		(9)	30
LibFin Investments - SIP	(229)	6		676	453
Asset management					
STANLIB South Africa			115		115
STANLIB Rest of Africa			(118)		(118)
Central overheads and sundry income	94			(103)	(9)
Normalised headline earnings	573	133	(3)	564	1 267
Preference share dividend				1	1
Reversal of the accounting mismatch arising on consolidation of L2D				278	278
Net income earned on BEE preference shares				(5)	(5)
Earnings attributable to shareholders' equity	573	133	(3)	838	1 541

⁽¹⁾ Asset management customer facing unit includes the asset management capabilities under STANLIB South Africa and STANLIB Rest of Africa business units, which are managed separately, with each business having its own accountable executive

Reconciliation of business unit earnings to segment result

(continued)

for the six months ended 30 June 2017

Business unit (Rm)	Individual Arrangements	Group Arrangements	Asset management ⁽¹⁾	Other	Total
30 June 2016					
Individual Arrangements	718				718
Group Arrangements		68			68
Liberty Corporate		88			88
Liberty Africa Insurance		11			11
Growth initiatives		(20)			(20)
Liberty Health		(11)			(11)
LibFin (Markets and Investments)	17	59		775	851
LibFin Markets – credit portfolio	91	48			139
LibFin Markets – asset/liability matching	(9)	3		(3)	(9)
LibFin Investments – SIP	(65)	8		778	721
Asset management					
STANLIB South Africa			249		249
STANLIB Rest of Africa			18		18
Central overheads and sundry income	19	(31)		(71)	(83)
Normalised headline earnings	754	96	267	704	1 821
Preference share dividend				1	1
Net income earned on BEE preference shares				(8)	(8)
Earnings attributable to shareholders' equity	754	96	267	697	1 814
31 December 2016					
Individual Arrangements	1 119				1 119
Group Arrangements		149			149
Liberty Corporate		191			191
Liberty Africa Insurance		41			41
Growth initiatives		(38)			(38)
Liberty Health		(45)			(45)
LibFin (Markets and Investments)	6	103		996	1 105
LibFin Markets – credit portfolio	197	103			300
LibFin Markets – asset/liability matching	15	3			18
LibFin Investments – SIP	(206)	(3)		996	787
Asset management					
STANLIB South Africa			459		459
STANLIB Rest of Africa			(97)		(97)
Central overheads and sundry income	(57)	(30)		(121)	(208)
Normalised headline earnings	1 068	222	362	875	2 527
Preference share dividend				2	2
Reversal of the accounting mismatch arising on consolidation of L2D				(304)	(304)
Net income earned on BEE preference shares				(16)	(16)
Earnings attributable to shareholders' equity	1 068	222	362	557	2 209

⁽¹⁾ Asset management customer facing unit includes the asset management capabilities under STANLIB South Africa and STANLIB Rest of Africa business units, which are managed separately, with each business having its own accountable executive

South African covered business embedded value

for the six months ended 30 June 2017

1 Description of embedded value of South African covered business

The prudential regulatory regime governing South African insurance companies is expected to change imminently. Liberty will continue to report embedded value on the same basis as before while the best practice for embedded value reporting emerges.

The current version of Advisory Practice Note (APN) 107 came into force for all financial years ending on or after 31 December 2012. APN 107 governs the way in which embedded values of life assurance companies are reported.

The embedded value consists of:

- The net worth; plus
- The value of in-force covered business; less
- The cost of required capital.

The net worth represents the excess of assets over liabilities on the statutory valuation method, adjusted for the elimination of the carrying value of covered business acquired and for the fair value of share rights granted to Liberty Group Limited employees.

The value of in-force covered business is the discounted value of the projected stream of after-tax shareholder profits arising from existing in-force covered business. These shareholder profits arise from the release of margins under the statutory basis of valuing liabilities, which differs from the release of profits on the published accounting basis. Covered business is defined as business regulated by the FSB as long-term insurance business written in Liberty Group Limited.

For reversionary and smoothed bonus business, the value of in-force covered business has been calculated assuming that bonuses are changed over time so that the full amount of the

bonus stabilisation reserves is distributed to policyholders over the lifetime of the in-force policies.

The required capital is defined as the level of capital that is restricted for distribution to shareholders. This comprises the statutory CAR calculated in accordance with Standard of Actuarial Practice (SAP) 104 plus any additional capital considered appropriate by the board given the risks in the business. Required capital has been calculated at 1,5 x CAR, consistent with risk appetite. The cost of required capital is the present value, at the risk discount rate, of the projected release of the required capital allowing for investment returns on the assets supporting the projected required capital.

The value of new business written is the present value at the point of sale of the projected stream of after-tax profits from that business, reduced by the cost of required capital. New business is defined as covered business arising from the sale of new policies and once-off premium increases in respect of in-force covered business during the reporting period. Risk policies with an inception date prior to the reporting date where no premium has been received are included in the embedded value and value of new business. The contractual terms of these policies state that Liberty Group Limited is on risk from the inception date, even though a premium may not have been received. This definition is consistent with that used in the financial statements.

The value of new business has been calculated on the closing assumptions. Investment yields at the point of sale have been used for new fixed annuities, guaranteed investment plans, and embedded derivatives; for all other business the investment yields at the date of reporting have been used.

No adjustment has been made for the discounting of tax provisions in the embedded value.

South African covered business embedded value (continued)

for the six months ended 30 June 2017

2 Normalised embedded value

Rm (unless otherwise stated)	30 June 2017	30 June 2016	31 December 2016
Risk discount rate (%) ^(a)	11,89	11,79	11,92
Net worth	11 189	12 263	11 717
Ordinary shareholders' funds on published basis	18 369	19 096	18 505
BEE preference share funding	142	204	148
Adjustment of ordinary shareholders' funds from published basis ^(b)	(7 175)	(6 867)	(6 786)
Adjustment for carrying value of in-force business acquired ^(c)	(14)	(20)	(17)
Allowance for fair value of share rights	(33)	(50)	(33)
Frank Financial Services allowance for future expenses	(100)	(100)	(100)
Net value of life business in-force	23 038	23 202	22 753
Value of life business in-force	24 678	24 803	24 394
Cost of required capital	(1 640)	(1 601)	(1 641)
Normalised embedded value	34 227	35 465	34 470
3 Normalised embedded value earnings			
Embedded value at the end of the period	34 227	35 465	34 470
Funding of restricted share plan	112	136	92
Intragroup dividends	1 400	2 000	3 500
Less embedded value at the beginning of the period	(34 470)	(35 268)	(35 268)
Embedded value earnings	1 269	2 333	2 794
Return on embedded value (%)	7,5	13,7	7,9

South African covered business embedded value (continued)

for the six months ended 30 June 2017

4 Analysis of normalised embedded value earnings

Rm	30 June 2017				30 June 2016				12 months 31 Dec 2016
	Net worth	Value of in-force covered business	Cost of required capital	Em-bedded value	Net worth	Value of in-force covered business	Cost of required capital	Em-bedded value	Em-bedded value
Embedded value at the end of the period	11 189	24 678	(1 640)	34 227	12 263	24 803	(1 601)	35 465	34 470
Plus dividends paid	1 400			1 400	2 000			2 000	3 500
Plus funding of restricted share plan	112			112	136			136	92
Embedded value at the beginning of the period	(11 717)	(24 394)	1 641	(34 470)	(12 761)	(24 025)	1 518	(35 268)	(35 268)
Embedded value earnings	984	284	1	1 269	1 638	778	(83)	2 333	2 794
Components of embedded value earnings									
Value of new business written in the period	(963)	1 081	(43)	75	(766)	1 055	(48)	241	454
Expected return on value of in-force business ^(d)		1 423	23	1 446		1 463	20	1 483	2 997
Expected net of tax profit transfer to net worth	2 138	(2 138)			2 154	(2 154)			
Operating experience variances ^(e)	72	102		174	180	55	42	277	477
Operating assumption changes ^(f)	(2)	(5)		(7)	(4)	71	(97)	(30)	(295)
Changes in modelling methodology ^(g)	(21)	(150)	25	(146)	(48)	15		(33)	28
Property portfolio liquidity fee variance					(1)			(1)	(167)
Development expenses	(30)			(30)					(45)
Intragroup transfers	46			46					
Embedded value earnings from operations	1 240	313	5	1 558	1 515	505	(83)	1 937	3 449
Economic adjustments	(256)	(29)	(4)	(289)	112	273		385	(683)
Investment return on net worth ^{(h)(i)}	94			94	357			357	153
Investment variances ^(j)	(361)	(118)		(479)	(15)	(262)		(277)	(963)
Changes in economic assumptions ^(j)	11	89	(4)	96	(230)	535		305	127
Change in allowance for fair value of share rights ^(k)					11			11	28
Normalised embedded value earnings	984	284	1	1 269	1 638	778	(83)	2 333	2 794

South African covered business embedded value (continued)

for the six months ended 30 June 2017

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 2017	30 June 2016	31 December 2016
Government stock	9,09	8,99	9,12
Equities	12,59	12,49	12,62
Property	10,09	9,99	10,12
Cash	7,59	7,49	7,62
The risk discount rate has been set equal to the risk free rate plus 80% of the equity risk premium	11,89	11,79	11,92
Maintenance expense inflation rate	7,34	7,24	7,37

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. The net 30 June 2017 adjustment was R14 million (31 December 2016: R17 million, 30 June 2016: R20 million).

- d) The expected return on the value of life business is obtained by applying the previous year's risk discount rate to the value of life business in force at the beginning of the period and the current year's risk discount rate from the point of sale to the valuation date in respect of the value of new business.

South African covered business embedded value (continued)

for the six months ended 30 June 2017

Notes to embedded value (continued)

e) Operating experience variances (including incentive outperformance) 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.

The net 30 June 2017 operating experience variance of R174 million (31 December 2016: R477 million, 30 June 2016: R277 million) comprised:

Rm	Net worth	Value of in-force covered business	Cost of required capital	Embedded value
30 June 2017				
Individual Arrangements	(24)	83		59
Mortality and morbidity	101	50		151
Policyholder behaviour	(47)	17		(30)
Other, including tax variances	(78)	16		(62)
Group Arrangements: Liberty Corporate	17	19		36
Credit portfolio variance	66			66
Other	13			13
Total	72	102		174
30 June 2016				
Individual Arrangements	80	98		178
Mortality and morbidity	84	45		129
Policyholder behaviour	(8)	26		18
Other, including tax variances	4	27		31
Group Arrangements: Liberty Corporate	48	(43)		5
Credit portfolio variance	62			62
Other	(10)		42	32
Total	180	55	42	277
31 December 2016				
Individual Arrangements	202	(10)		192
Mortality and morbidity	67	84		151
Policyholder behaviour	52	(35)		17
Other, including tax variances	83	(59)		24
Group Arrangements: Liberty Corporate	98	25		123
Credit portfolio variance	150			150
Other			12	12
Total	450	15	12	477

South African covered business embedded value (continued)

for the six months ended 30 June 2017

Notes to embedded value (continued)

- f) The amount of negative R7 million (31 December 2016: negative R295 million, 30 June 2016: negative R30 million) is due to a handful of minor assumption changes.
- g) The amount of negative R146 million (31 December 2016: R28 million, 30 June 2016: negative R33 million) is due to a number of modelling changes and data refinements.
- h) Reconciliation of embedded value investment return on net worth to LibFin Investments earnings:

Rm	30 June 2017	30 June 2016	12 months 31 December 2016
LibFin Investments	453	721	787
Adjustments for differences between the statutory and published bases	(202)	(282)	(527)
90:10 book	(71)	(56)	(5)
Frank Financial Services	(21)	(47)	(28)
Bancassurance obligations relating to Liberty Africa and STANLIB	(23)	(6)	(39)
BEE preference share scheme	4	11	21
Central treasury investments	53	28	19
Other	(99)	(12)	(75)
Investment return on net worth	94	357	153

- i) The investment return on net worth includes an amount of negative R17 million (31 December 2016: negative R16 million, 30 June 2016: negative R18 million) in respect of the change in the fair value of cash-flow hedges supporting LGL subordinated notes. Similarly, the investment variances include an amount of R48 million (31 December 2016: R178 million, 30 June 2016: R106 million) in respect of the change in the fair value of cash-flow hedges supporting LibFin Credit.
- j) The amount of R96 million (31 December 2016: R127 million, 30 June 2016: R305 million) relates to changes in economic assumptions as described in note a.
- k) The amount of Rnil million (31 December 2016: R28 million, 30 June 2016: R11 million) in respect of the change in the fair value of share rights arises from the change in the number of share rights for staff employed by Liberty Group Limited and the change in the market value of Liberty Holdings Limited share price over the reporting period.

Other bases, bonus rates and assumptions

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.

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 non-compulsory automatic premium and benefit increases.

The assets backing the required capital are consistent with the long-term strategic mix of shareholder funds approved by the Liberty Holdings board.

Bancassurance – Benefit to Liberty

as at 30 June 2017

Liberty share (Rm)	30 June 2017	30 June 2016	12 months 31 December 2016
Credit Life			
IFRS headline earnings	81	82	160
Embedded value of in-force contracts	490	450	461
Other insurance products			
Embedded value of new business	7	21	53
Embedded value of in-force contracts	1 124	1 084	1 113
STANLIB			
Net service fees on assets under management sourced from Standard Bank distribution	212	201	406

90:10 Shareholder exposure

as at 30 June 2017

The "90:10 exposure" refers to the shareholders exposure to certain policyholder portfolios on which a fee arrangement exists whereby the investment return on the portfolios is shared between the policyholders and shareholders in a 90:10 ratio.

As a result of the market risk that arises for shareholders on this exposure it is managed as part of the Shareholders Investment Portfolio (SIP) and consequently the earnings form part of the SIP returns and are included in the LibFin Investments revenue account.

Because of its nature as a management fee the present value of these 90:10 fees are included in the Value of In Force of the business and the annual expected amount forms part of the expected transfer to Net Worth in the AoEV. There is therefore an inconsistency between the IFRS revenue account (shown as LibFin Investments revenue) and the AoEV (shown as expected Life Fund Operating earnings).

Rm	30 June 2017	30 June 2016	12 months 31 December 2016
Exposure as at the beginning of the period	4 142	4 622	4 622
Expected earnings	155	197	364
Variance	(84)	(141)	(359)
Total net earnings	71	56	5
Exposure as at the end of the period	3 973	4 502	4 142

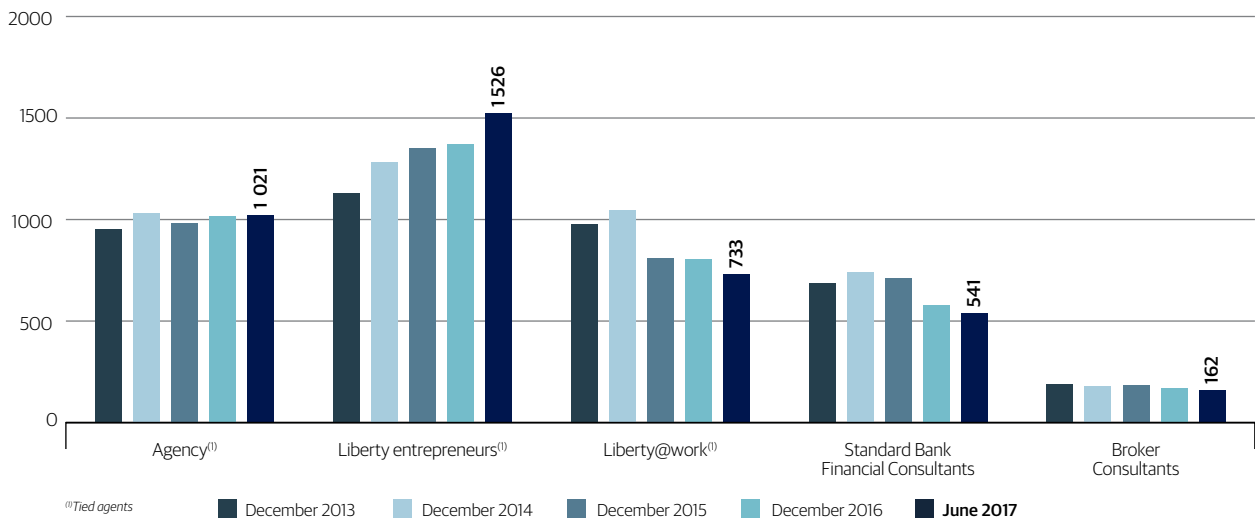
Long-term policyholder liabilities IFRS reconciliation

as at 30 June 2017

Rm	30 June 2017	Restated 30 June 2016	12 months 31 December 2016
Policyholder liabilities at beginning of the period net of reinsurance	299 119	296 915	296 915
Policyholder liabilities	307 230	305 194	305 194
Reinsurance liabilities	555	617	617
Policyholder assets	(7 314)	(7 579)	(7 579)
Reinsurance assets	(1 352)	(1 317)	(1 317)
Transfers to policyholder liabilities	1 679	6 892	2 555
Net premium income from insurance contracts and inflows from investment contracts	26 469	25 673	55 039
Net insurance premiums	17 794	17 708	37 882
Fund inflows from investment contracts	8 675	7 965	17 157
Investment returns	10 476	15 604	17 457
Net claims and policyholder benefits	(27 134)	(26 026)	(53 920)
Net insurance claims	(18 354)	(17 880)	(37 220)
Fund outflows from investment contracts	(8 780)	(8 146)	(16 700)
Acquisition costs	(2 219)	(1 973)	(4 136)
Management expenses, finance costs and profit share allocations	(4 607)	(4 452)	(9 238)
Taxation	(633)	(971)	(1 058)
Operating profit from insurance operations	(673)	(963)	(1 589)
Foreign currency translation reserve	(134)	(120)	(351)
Policyholder liabilities at end of year net of reinsurance	300 664	303 687	299 119
Policyholder liabilities	309 200	312 111	307 230
Reinsurance liabilities	543	615	555
Policyholder assets	(7 689)	(7 661)	(7 314)
Reinsurance assets	(1 390)	(1 378)	(1 352)

South African insurance distribution headcount

as at 30 June 2017



Total long-term insurance premiums

for the six months ended 30 June 2017

Rm	Recurring premiums		Single premiums		Total premiums	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Individual Arrangements	10 323	9 976	10 704	9 744	21 027	19 720
Liberty Corporate	4 307	4 080	530	1 123	4 837	5 203
Liberty Africa Insurance	531	475	74	64	605	539
STANLIB Multi-manager ⁽¹⁾				211		211
Total premiums	15 161	14 531	11 308	11 142	26 469	25 673
Indexed premiums					16 291	15 645
Individual Arrangements					11 393	10 950
Liberty Corporate					4 360	4 192
Liberty Africa Insurance					538	482
STANLIB Multi-manager ⁽¹⁾						21

⁽¹⁾ The arrangement whereby funds were placed with external asset managers via STANLIB Multi-manager was terminated in 2016 and accordingly there are no flows in 2017 and going forward.

The difference between the single premiums reported under total long-term insurance premiums and single premiums reported under long-term insurance new business by distribution channel arises mainly from different treatment for extensions of matured policies, reinvestment of fund withdrawals, conversions of standalone funds to umbrella funds and fund member movements within Liberty administered funds.

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

for the six months ended 30 June 2017

Rm	Recurring premiums			Single premiums		
	30 June 2017	30 June 2016	12 months 31 December 2016	30 June 2017	30 June 2016	12 months 31 December 2016
Retail	2 818	2 741	5 772	10 973	9 911	22 916
Broker	572	615	1 332	2 819	2 934	7 006
Bancassurance	1 290	1 206	2 483	2 683	1 928	5 451
Tied channels ⁽²⁾	833	814	1 726	5 365	4 776	10 170
Other	123	106	231	106	273	289
Institutional	596	361	946	319	304	1 350
Broker	388	202	525	150	77	754
Bancassurance	8	11	41			
Tied channels ⁽²⁾	143	128	349	163	205	461
Other	57	20	31	6	22	135
Total new business	3 414	3 102	6 718	11 292	10 215	24 266
Split between:						
South Africa⁽¹⁾						
Individual Arrangements	2 725	2 660	5 609	10 936	9 886	22 830
Broker	571	614	1 330	2 819	2 934	7 006
Bancassurance	1 248	1 177	2 419	2 673	1 921	5 430
Tied channels ⁽²⁾	792	769	1 642	5 365	4 776	10 170
Other	114	100	218	79	255	224
Liberty Corporate	528	294	765	297	297	771
Broker	359	165	457	128	70	175
Bancassurance	8	10	38			
Tied channels ⁽²⁾	118	110	270	163	205	461
Other	43	9		6	22	135
Total new business	3 253	2 954	6 374	11 233	10 183	23 601
Liberty Africa Insurance						
Retail	93	81	163	37	25	86
Broker	1	1	2			
Bancassurance	42	29	64	10	7	21
Tied channels ⁽²⁾	41	45	84			
Other	9	6	13	27	18	65
Institutional	68	67	181	22	7	579
Broker	29	37	68	22	7	579
Bancassurance		1	3			
Tied channels ⁽²⁾	25	18	79			
Other	14	11	31			
Total new business	161	148	344	59	32	665

⁽¹⁾ Includes premium escalations for Individual Arrangements; excludes STANLIB Multi-manager.

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

	Total premiums			Indexed premiums		
	30 June 2017	30 June 2016	12 months 31 December 2016	30 June 2017	30 June 2016	12 months 31 December 2016
	13 791	12 652	28 688	3 916	3 732	8 064
	3 391	3 549	8 338	854	908	2 033
	3 973	3 134	7 934	1 558	1 399	3 028
	6 198	5 590	11 896	1 370	1 292	2 743
	229	379	520	134	133	260
	915	665	2 296	628	391	1 081
	538	279	1 279	403	209	600
	8	11	41	8	11	41
	306	333	810	159	149	395
	63	42	166	58	22	45
	14 706	13 317	30 984	4 544	4 123	9 145
	13 661	12 546	28 439	3 819	3 648	7 892
	3 390	3 548	8 336	853	907	2 031
	3 921	3 098	7 849	1 515	1 369	2 962
	6 157	5 545	11 812	1 329	1 247	2 659
	193	355	442	122	125	240
	825	591	1 536	558	324	842
	487	235	632	372	172	474
	8	10	38	8	10	38
	281	315	731	134	131	316
	49	31	135	44	11	14
	14 486	13 137	29 975	4 377	3 972	8 734
	130	106	249	97	84	172
	1	1	2	1	1	2
	52	36	85	43	30	66
	41	45	84	41	45	84
	36	24	78	12	8	20
	90	74	760	70	67	239
	51	44	647	31	37	126
		1	3		1	3
	25	18	79	25	18	79
	14	11	31	14	11	31
	220	180	1 009	167	151	411

LibFin – Shareholder Investment Portfolio

as at 30 June 2017

Exposure category Rm	30 June 2017				31 December 2016			
	Local	Foreign	Total	%	Local	Foreign	Total ⁽¹⁾	%
Equities ⁽¹⁾	4 037	4 335	8 372	31	3 971	3 891	7 862	29
Bonds	6 445	318	6 763	25	6 016	289	6 305	23
Cash	5 037	987	6 024	22	6 779	457	7 236	27
Property	3 393		3 393	13	3 561		3 561	13
Other	1 440	850	2 290	9	1 613	570	2 183	8
Total	20 352	6 490	26 842	100	21 940	5 207	27 147	100
Assets backing capital			15 560	58			14 686	54
Assets backing life funds			7 309	27			8 319	31
90:10 exposure			3 973	15			4 142	15
Reconciliation to IFRS shareholders' equity								
Shareholder Investment Portfolio			26 842				27 147	
Less: 90:10 exposure			(3 973)				(4 142)	
Less: Subordinated notes			(4 500)				(4 500)	
SA insurance IFRS shareholder's equity			18 369				18 505	

⁽¹⁾ Protection has been put into place on the portfolio's local equity exposure.

LibFin – Shareholder Investment Portfolio percentage allocation

as at 30 June 2017

Exposure category	30 June 2017				31 December 2016			
	Assets backing capital	Assets backing life funds	90:10 exposure	Total	Assets backing capital	Assets backing life funds	90:10 exposure	Total
%								
Local assets								
Equities	8		7	15	8	1	6	15
Bonds, cash and property	33	18	4	55	36	20	4	60
Other	6			6	6			6
Foreign assets								
Equities	7	6	3	16	1	9	4	14
Bonds, cash and property	1	3	1	5	1	1	1	3
Other	3			3	2			2
Total	58	27	15	100	54	31	15	100

LibFin – Shareholder Investment Portfolio return

for the six months ended 30 June 2017

Rm	30 June 2017	30 June 2016	12 months 31 December 2016
Realised gross result	920	1 296	1 539
Taxation	(230)	(406)	(349)
Bond cost	(197)	(147)	(321)
Expenses (including asset management fees)	(40)	(22)	(82)
Net profit	453	721	787
Gross return (%)	3,4	4,0	5,7

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.

Individual Arrangements – Headline earnings

for the six months ended 30 June 2017

Rm	30 June 2017	30 June 2016	12 months 31 December 2016
Expected profit and premium escalations	1 030	1 022	2 020
Variiances, modelling and assumption changes	(74)	11	(341)
New business strain	(397)	(270)	(611)
Project, outperformance incentive and non cost per policy expenses	(50)	(34)	(106)
Direct Financial Services	(4)	(47)	(109)
Other	29		195
Release of tax provisions		16	16
Earnings before bancassurance	534	698	1 064
Liberty share of credit life bancassurance (net of all taxes)	81	82	160
Complex bancassurance preference dividend	(18)	(62)	(105)
Headline earnings	597	718	1 119

Individual Arrangements – Key performance indicators

for the six months ended 30 June 2017

Rm (unless otherwise stated)	30 June 2017	30 June 2016	12 months 31 December 2016
Net customer cash flows	896	726	2 505
Insurance products	774	597	1 948
LISP	122	129	557
Gross sales (excluding LISP)	13 047	11 991	27 186
Indexed new business (excluding LISP)	3 205	3 094	6 639
Value of new business	62	242	426
Retail margin excluding STANLIB (%) ⁽¹⁾	0,4	1,8	1,4
Retail new business margin including STANLIB (%) ⁽¹⁾	0,4	1,6	1,2

⁽¹⁾ The arrangement whereby funds were placed with external managers via STANLIB Multi-manager was terminated in 2016 and accordingly there are no flows in 2017 resulting in the same margin being reported.

Individual Arrangements – Indexed new business

for the six months ended 30 June 2017

Rm	30 June 2017	30 June 2016	12 months 31 December 2016
Individual Arrangements Insurance (excluding emerging consumer market)	2 843	2 671	5 785
Emerging consumer market	127	131	272
Total Individual Arrangements Insurance	2 970	2 802	6 057
Direct Financial Services	35	50	102
STANLIB 'on balance sheet' sales	200	242	480
Total 'on balance sheet' sales	3 205	3 094	6 639
STANLIB 'off balance sheet' sales	1 298	854	2 063
GateWay LISP 'off balance sheet' sales	101	96	215
Total Individual Arrangements distribution	4 604	4 044	8 917

Individual Arrangements – Maintenance cost per policy

as at 30 June 2017

R	30 June 2017	30 June 2016	31 December 2016
Valuation basis			
Complex	616	579	596
Simplex	308	289	298
Annuities	308	289	298

Individual Arrangements – Negative rand reserves⁽¹⁾

as at 30 June 2017

Rm	30 June 2017	30 June 2016	31 December 2016
Published IFRS basis	16 514	18 077	16 632
Statutory basis	7 177	9 179	7 824

⁽¹⁾ Gross of taxation.

By their nature "negative rand reserves" includes offsets between policies with positive and negative reserves. The Directive 145 (on the statutory basis) adjustment is applied only to policies with negative reserves.

Liberty Corporate – Headline earnings

for the six months ended 30 June 2017

Rm	30 June 2017	30 June 2016	12 months 31 December 2016
Gross contribution	583	546	1 108
Underwriting margin	247	265	488
Fee income	294	297	548
Longevity improvement factor assumption change		(30)	(50)
Provision release			25
Pension businesses and other income	42	14	97
Expenses and other items	(474)	(424)	(843)
Profit before tax	109	122	265
Taxation	(29)	(34)	(74)
Headline earnings	80	88	191

Liberty Corporate – Key performance measures

for the six months ended 30 June 2017

Rm (unless otherwise stated)	30 June 2017	30 June 2016	12 months 31 December 2016
Gross sales	825	591	1 536
Indexed new business	558	324	842
Value of new business	13	(1)	28
New business margin (%)	0,3	(0,1)	0,4
Net customer cash flows	(1 609)	(905)	(751)

Liberty Health – Headline earnings

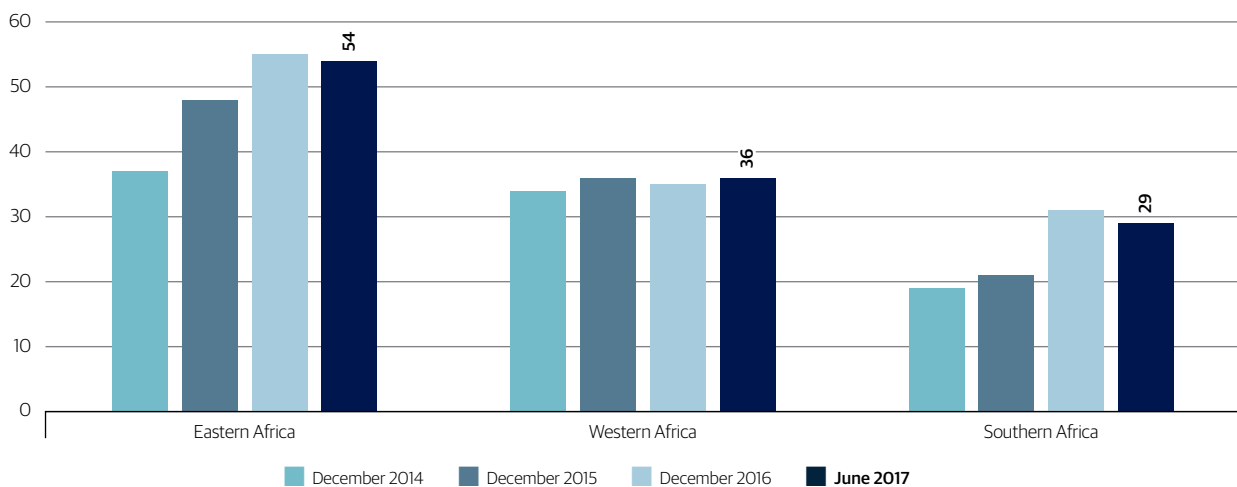
for the six months ended 30 June 2017

Rm	30 June 2017	30 June 2016	12 months 31 December 2016
Earnings before depreciation and amortisation	(26)	7	(16)
Amortisation and depreciation	(6)	(20)	(33)
Loss before taxation	(32)	(13)	(49)
Taxation	15	2	4
Headline loss	(17)	(11)	(45)
Headline loss attributable to Liberty	(19)	(11)	(45)

Liberty Health Cover Product – Lives serviced

as at 30 June 2017

Thousands	30 June 2017	31 December 2016	31 December 2015	31 December 2014
Region				
Eastern Africa	54	55	48	37
Western Africa	36	35	36	34
Southern Africa	29	31	21	19
Total	119	121	105	90
Liberty owned licences	77	81		
Third party licences	42	40		



Liberty Africa Insurance – Headline earnings

for the six months ended 30 June 2017

Rm	30 June 2017	30 June 2016	12 months 31 December 2016
Insurance entities earnings⁽¹⁾			
Long-term insurance	44	53	107
Short-term insurance	32	30	74
Headline earnings (before head office expenses)	76	83	181
Non controlling shareholders share of headline earnings	(21)	(34)	(66)
Liberty share of headline earnings	55	49	115
Liberty owned businesses >3 years	53	52	119
Liberty owned businesses <3 years	2	(3)	(4)
Head office costs	(35)	(38)	(74)
Net headline earnings attributable to Liberty	20	11	41

⁽¹⁾ The headline earnings result is shown at 100% of the earnings of certain of the entities that make up Liberty Africa Insurance.

Liberty Africa Insurance – Key performance indicators

for the six months ended 30 June 2017

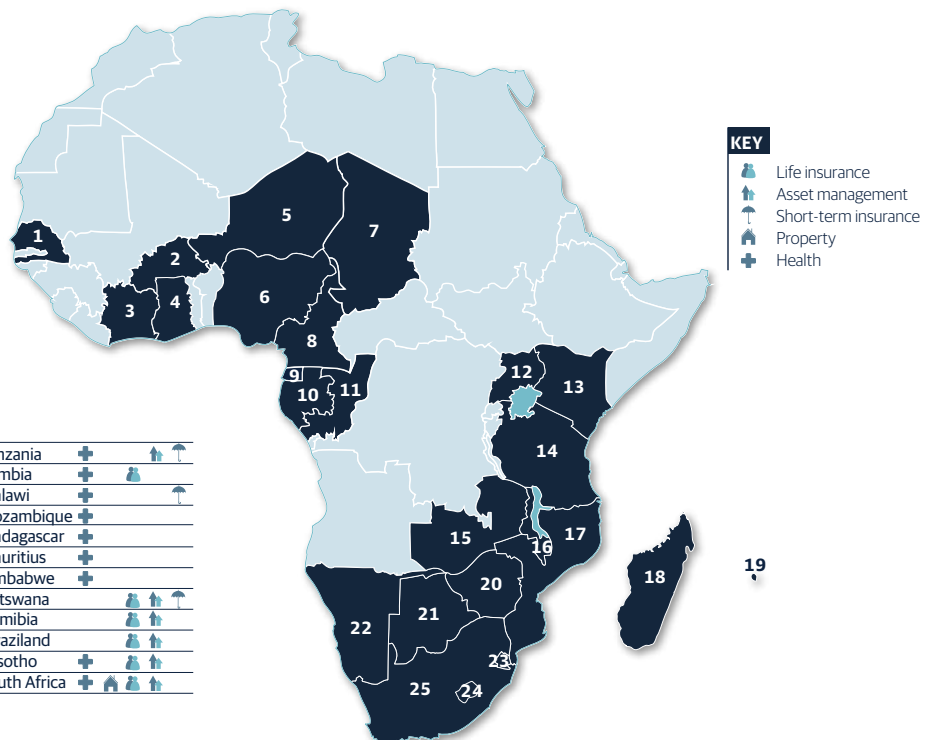
Rm (unless otherwise stated)	30 June 2017	30 June 2016	12 months 31 December 2016
Value of new business	11	16	29
New business margin (%)	4,3	7,0	5,6
Long term			
Gross sales	220	180	1 009
Indexed new business	167	151	411
Net customer cash flows	170	(50)	483
Short term			
Net customer cash flows	128	154	314
Claims loss ratio (%)	50	48	44

Liberty Africa Insurance – Long-term insurance net cash flows

for the six months ended 30 June 2017

Rm	30 June 2017	30 June 2016	12 months 31 December 2016
Net premiums by product type			
Retail	255	285	571
Single	16	31	85
Recurring	239	254	486
Institutional	350	254	1 038
Single	58	33	600
Recurring	292	221	438
Net premium income from insurance contracts and inflows from investment contracts	605	539	1 609
Net claims and policyholders benefits by product type			
Retail	(137)	(131)	(293)
Death, critical illness and disability claims	(16)	(29)	(77)
Policy surrender and maturity claims	(119)	(100)	(212)
Annuity payments	(2)	(2)	(4)
Institutional	(298)	(458)	(833)
Death, critical illness and disability claims	(84)	(64)	(81)
Scheme terminations and member withdrawals	(214)	(394)	(752)
Net claims and policyholders benefits	(435)	(589)	(1 126)
Net cash flow split as follows:	170	(50)	483
Retail	118	154	278
Institutional	52	(204)	205

Our presence in Africa



STANLIB South Africa – Headline earnings

for the six months ended 30 June 2017

Rm (unless otherwise stated)	30 June 2017	30 June 2016	12 months 31 December 2016
Net fee income	823	854	1 679
Base fees	821	854	1 651
Performance fees	2		28
Operating expenses	(664)	(567)	(1 127)
Profit before investment income	159	287	552
Other income	43	41	91
Profit before taxation	202	328	643
Taxation	(87)	(79)	(184)
Total headline earnings	115	249	459
Average margin (bps)	33	33	34
Average assets under management (Rbn)	538	525	525

STANLIB South Africa – Net cash flows and assets under management by asset category

as at 30 June 2017

Rm	Net cash inflows/(outflows)			Assets under management		
	30 June 2017	30 June 2016	12 months 31 December 2016	30 June 2017	30 June 2016	12 months 31 December 2016
Retail	1 884	-	(1 320)	213 378	213 751	210 016
Fixed interest	2 980	393	913	44 060	40 159	40 988
Equity	(64)	(307)	(1 072)	12 673	14 720	13 044
Property	375	(326)	(211)	13 678	13 384	13 403
Money Market	(1 461)	(202)	1 007	24 767	24 935	26 188
Absolute Return	464	(505)	(551)	3 785	3 452	3 249
Balanced	(1 110)	141	(280)	25 687	29 094	27 675
International	(557)	723	(946)	11 230	13 964	11 231
Retail Life	16		(91)	197		183
LISP	1 280	83	2 116	73 804	74 043	70 603
Structured	(39)		(2 205)	3 497		3 452
Institutional	3 762	(947)	4 121	104 386	95 218	100 107
Fixed interest	2 244	512	1 531	21 794	19 132	20 134
Equity	284	1 417	1 653	5 549	4 312	4 462
Property	29	(158)	2 440	8 221	8 349	8 053
Money Market	1 402	(1 929)	1 030	53 047	45 765	51 807
Absolute Return	436	(380)	(402)	1 584	1 094	1 070
Balanced	(623)	(411)	(1 855)	11 278	13 356	11 797
International	(10)	2	(280)	2 297	2 599	2 138
Other			4	616	611	646
Liberty – Delta LISP	411	(1 398)	(800)	38 689	36 327	37 167
Liberty – intergroup	(9 100)	(6 632)	(9 207)	183 019	185 916	187 696
Total	(3 043)	(8 977)	(7 206)	539 472	531 212	534 986

In terms of the first close of the Agri-Vie Fund II in January 2017, Liberty has committed capital of R673 million, which has not been included in the above STANLIB South Africa flows.

STANLIB South Africa – Assets under management breakdown by source and asset type

as at 30 June 2017

Rm	Money market (incl cash)	Fixed interest	Equity	Property	Other	Absolute return	Balanced	Inter-national	Structured	Retail life	LISP	Total
30 June 2017												
Retail												
Collective Investments		41 868	10 227	9 986		2 988	20 946	11 230				97 245
Linked Investment and Structured Products									3 497		73 804	77 301
Money market	24 767											24 767
Multi-manager Collective Investments		2 192	2 446	3 692		797	4 741			197		14 065
Institutional												
Segregated funds		21 794	5 549	8 221	616	1 584	11 278	2 297				51 339
Money market	53 047											53 047
Liberty – Delta LISP		30 376	60 421	25 861	606	8 099	20 702	30 337	1 348		38 689	38 689
Liberty – intergroup	5 269											183 019
STANLIB total	83 083	96 230	78 643	47 760	1 222	13 468	57 667	43 864	4 845	197	112 493	539 472
31 December 2016												
Retail												
Collective Investments		38 742	10 564	9 671		2 373	23 581	11 231				96 162
Linked Investment and Structured Products									3 452		70 603	74 055
Money market	26 188											26 188
Multi-manager Collective Investments		2 246	2 480	3 732		876	4 094			183		13 611
Institutional												
Segregated funds	786	20 134	4 462	8 053	646	1 070	11 664	2 138				48 953
Money market	51 021						133					51 154
Liberty – Delta LISP		31 547	59 757	25 833	637	7 648	21 361	30 429	1 381		37 167	37 167
Liberty – intergroup	9 103											187 696
STANLIB total	87 098	92 669	77 263	47 289	1 283	11 967	60 833	43 798	4 833	183	107 770	534 986

STANLIB South Africa – Retail investment performance

for the six months ended 30 June 2017

Core retail funds – quartile performance Fund name	Rolling period					
	1 Year		3 Year		5 Year	
	2017	2016	2017	2016	2017	2016
STANLIB SA Equity	4	2	4	4	4	2
STANLIB Equity	4	1	3	2	2	1
STANLIB Growth	4	4	4	4	4	4
STANLIB Value	4	1	4	4	4	4
STANLIB Balanced	4	2	4	3	3	2
STANLIB Balanced Cautious	4	1	3	3	3	2
STANLIB Inflation Plus 5%	3	4	4	4	4	4
STANLIB Inflation Plus 3%	1	1	1	3	3	4
STANLIB Absolute Plus	1	1	1	3	2	4
STANLIB Bond	2	2	2	2	2	1
STANLIB Income	1	1	2	2	1	1
STANLIB Money Market	2	2	2	3	2	2
STANLIB Flexible Income	1	2	3	3	3	2
STANLIB Aggressive Income	1	1	1	3	3	3
STANLIB Property Income	1	2	2	2	2	3

STANLIB South Africa – Institutional investment performance

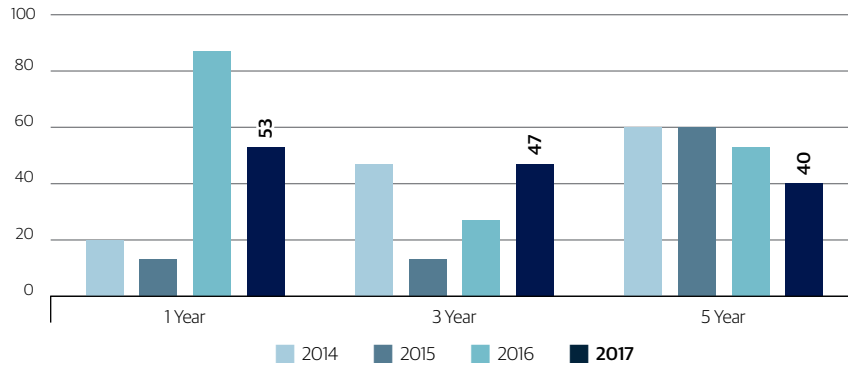
for the six months ended 30 June 2017

Survey funds (Alexander Forbes Surveys – quartile performance)	Rolling period					
	1 Year		3 Year		5 Year	
	2017	2016	2017	2016	2017	2016
Large Manager – Global	4	3	4	4	4	3
Full Global Mandate	4	3	4	3	4	2
Domestic Only Mandate	4	3	4	3	4	3
Stanlib Core Equity	4	4	4	4	4	3
Stanlib Growth Equity	4	4	4	4	4	3
Stanlib Value	4	1	4	3	4	3
Stanlib Enhanced Index	4	4	4	4	4	1
Absolute Return	1	1	3	1	2	2
Domestic Absolute Return	3	4	4	4	4	4
Stanlib Core Bond	2	2	2	3	2	2
Money Market	3	4	4	4	4	4
Stanlib Institutional Property	1	4	2	4	3	4

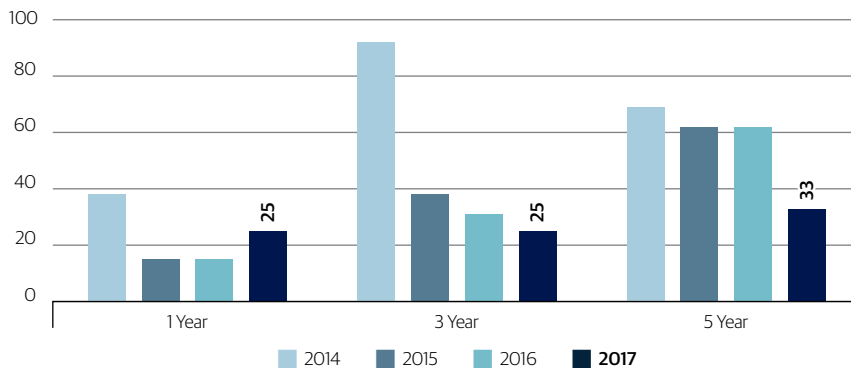
STANLIB South Africa - Investment performance

as at 30 June 2017

% of Core Retail Products in 1st and 2nd quartile



% of Institutional Funds in 1st and 2nd quartile



STANLIB Rest of Africa - Assets under management

as at 30 June 2017

Rm	30 June 2017	30 June 2016	31 December 2016
Opening market value	50 787	50 317	50 317
Net cash inflows	454	1 297	2 891
Capital appreciation/(depreciation)	1 861	924	(2 421)
Closing market value	53 102	52 538	50 787
Segregated funds	32 746	32 836	32 220
Unit trusts	6 664	8 053	6 395
Money Market	13 692	11 649	12 172
Total assets under management	53 102	52 538	50 787

STANLIB Rest of Africa – Assets under management by geographical location

as at 30 June 2017

Rm	30 June 2017	30 June 2016	31 December 2016
Southern region⁽¹⁾	29 693	27 956	27 287
Fixed interest	6 673	10 635	5 904
Equity	10 539	8 504	10 634
Property		89	
Money Market	11 572	8 251	9 906
Other	909	477	843
Eastern region⁽²⁾	19 049	21 580	19 975
Fixed interest	10 967	11 276	11 595
Equity	3 347	3 870	3 308
Property	2 979	3 566	3 003
Money Market	1 756	2 868	2 069
Western region⁽³⁾	4 360	3 002	3 525
Fixed interest	1 063	628	997
Money Market	364	156	197
Other	2 933	2 218	2 331
Total assets under management	53 102	52 538	50 787
Combined			
Fixed interest	18 703	22 539	18 496
Equity	13 886	12 374	13 942
Property	2 979	3 655	3 003
Money Market	13 692	11 275	12 172
Other	3 842	2 695	3 174
	53 102	52 538	50 787

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

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

⁽³⁾ Western region is Ghana.

Fair value measurement disclosures

Fair value hierarchy

1 Asset hierarchy

The table below analyses the fair value measurement of applicable assets by level:

30 June 2017 Rm (Unaudited)	Level 1	Level 2	Level 3	Total
Equity instruments	133 513	1 967	3 074	138 554
Listed equities on the JSE or foreign exchanges	124 739	1 927		126 666
Unlisted equities		40	1 876	1 916
Scrip assets – listed equities on the JSE	8 774			8 774
Interests in associates			12	12
Interests in joint ventures			1 186	1 186
Debt instruments	65 752	48 516	173	114 441
Listed preference shares on the JSE or foreign exchanges	677			677
Unlisted preference shares		75	173	248
Listed term deposits on BESA, JSE or foreign exchanges	58 390	12 381		70 771
Unlisted term deposits		34 632		34 632
Repurchase agreements and collateral assets	6 685	1 428		8 113
Mutual funds⁽¹⁾	1 413	95 201	648	97 262
Property	12	1 887		1 899
Equity instruments	593	14 848	298	15 739
Interest-bearing instruments	72	19 365		19 437
Mixed asset classes	736	59 101	350	60 187
Investment policies		7 596	1 249	8 845
Derivative assets held for trading and for hedging		7 745		7 745
Equity instruments		1 785		1 785
Currency exchange instruments		69		69
Interest rate instruments		5 891		5 891
Properties			34 182	34 182
Total assets subject to fair value hierarchy analysis	200 678	161 026	39 326	401 029
Fair value assets not subject to fair value hierarchy analysis:				
Collateral deposits receivable				1 714
Prepayments, insurance and other receivables				5 938
Cash and cash equivalents				9 327
Total fair value assets				418 008
Other assets not subject to fair value hierarchy analysis:				
Intangible assets				367
Defined benefit pension fund employer surplus				203
Equipment				1 079
Interest in joint venture – equity accounted				58
Deferred taxation				264
Deferred acquisition costs				741
Long-term policyholder assets – insurance contracts				7 689
Reinsurance assets				1 801
Loans and receivables				1 242
Total assets as per statement of financial position				431 452

⁽¹⁾ Mutual funds are categorised into property, equity or interest-bearing instruments based on a minimum of 80% of the underlying asset composition of the fund by value being of a like category. In the event of "no one category meeting this threshold" it is classified as mixed assets class.

Fair value measurement disclosures (continued)

Fair value hierarchy (continued)

1 Asset hierarchy (continued)

The table below analyses the fair value measurement of applicable assets by level:

31 December 2016 Rm (Audited)	Level 1	Level 2	Level 3	Total
Equity instruments	126 735	118	3 090	129 943
Listed equities on the JSE or foreign exchanges	118 669	58		118 727
Unlisted equities		60	1 871	1 931
Scrip assets – listed equities on the JSE	8 066			8 066
Interests in joint ventures			1 219	1 219
Debt instruments	59 133	57 180	180	116 493
Listed preference shares on the JSE or foreign exchanges	667			667
Unlisted preference shares		336	180	516
Listed term deposits on BESA, JSE or foreign exchanges	52 813	21 815		74 628
Unlisted term deposits		33 265		33 265
Repurchase agreements and collateral assets	5 653	1 764		7 417
Mutual funds⁽¹⁾	4 137	86 830	663	91 630
Property	2	2 010		2 012
Equity instruments	544	13 169	316	14 029
Interest-bearing instruments	2 979	19 669	12	22 660
Mixed asset classes	612	51 982	335	52 929
Investment policies		6 720	1 352	8 072
Derivative assets held for trading and for hedging		6 620		6 620
Equity instruments		1 958		1 958
Currency exchange instruments		929		929
Interest rate instruments		3 733		3 733
Properties			33 828	33 828
Total assets subject to fair value hierarchy analysis	190 005	157 468	39 113	386 586
Fair value assets not subject to fair value hierarchy analysis:				
Collateral deposits receivable				1 989
Prepayments, insurance and other receivables				5 300
Cash and cash equivalents				14 994
Total fair value assets				408 869
Other assets not subject to fair value hierarchy analysis:				
Intangible assets				390
Defined benefit pension fund employer surplus				215
Equipment				1 105
Interest in joint venture – equity accounted				10
Deferred taxation				358
Deferred acquisition costs				713
Long-term policyholder assets – insurance contracts				7 314
Reinsurance assets				1 674
Loans and receivables				1 242
Total assets as per statement of financial position				421 890

⁽¹⁾ Mutual funds are categorised into property, equity or interest-bearing instruments based on a minimum of 80% of the underlying asset composition of the fund by value being of a like category. In the event of "no one category meeting this threshold" it is classified as mixed assets class.

Fair value measurement disclosures (continued)

Fair value hierarchy (continued)

2 Liability hierarchy

The table below analyses the fair value measurements of applicable liabilities by level.

Rm	Level 1	Level 2	Level 3	Total
30 June 2017 (Unaudited)				
Policyholder long-term investment contract liabilities		93 765		93 765
Third-party financial liabilities arising on consolidation of mutual funds		47 314	1 243	48 557
Repurchase agreements liabilities		7 840		7 840
Liabilities held for trading and for hedging		7 428		7 428
Total liabilities subject to fair value hierarchy analysis		156 347	1 243	157 590
Fair value liabilities not subject to fair value hierarchy analysis:				
Policyholder long-term insurance contract liabilities – embedded derivatives				1 827
Collateral deposits payable				6 122
Employee benefits				650
Insurance and other payables				11 443
Total fair value liabilities				177 632
31 December 2016 (Audited)				
Policyholder long-term investment contract liabilities		91 613		91 613
Third-party financial liabilities arising on consolidation of mutual funds		42 775	1 271	44 046
Repurchase agreements liabilities		7 064		7 064
Liabilities held for trading and for hedging		6 798		6 798
Total liabilities subject to fair value hierarchy analysis		148 250	1 271	149 521
Fair value liabilities not subject to fair value hierarchy analysis:				
Policyholder long-term insurance contract liabilities – embedded derivatives				1 789
Collateral deposits payable				4 684
Employee benefits				876
Insurance and other payables				11 213
Total fair value liabilities				168 083

Fair value measurement disclosures (continued)

Fair value hierarchy (continued)

3 The fair value of financial assets and liabilities which are measured at amortised cost is categorised into the following fair value hierarchies:

Rm	Amortised cost	Fair value	Level 1	Level 2	Level 3
30 June 2017 (Unaudited)					
Financial assets measured at amortised cost					
Loans and receivables – net carrying value	1 242	1 156			1 156
Loans and receivables	1 277				
Less: accumulated impairment	(35)				
Financial liabilities measured at amortised cost					
Subordinated notes	4 597	4 525		4 525	
Redeemable preference shares	5	5			5
31 December 2016 (Audited)					
Financial assets measured at amortised cost					
Loans and receivables – net carrying value	1 242	1 156			1 156
Loans and receivables	1 279				
Less: accumulated impairment	(37)				
Financial liabilities measured at amortised cost					
Subordinated notes	4 596	4 524		4 524	
Redeemable preference shares	5	5			5

Fair value measurement disclosures (continued)

Fair value hierarchy (continued)

4 Reconciliation of level 3 assets and liabilities

The table below analyses the movement of level 3 assets for the period.

Rm	Unaudited 6 months 30 June 2017	Audited 12 months 31 December 2016
Balance at the beginning of the period	39 113	40 675
Fair value adjustment recognised in profit or loss as part of investment gains ⁽¹⁾	200	(781)
Fair value adjustment recognised in other comprehensive income ⁽¹⁾	18	(1)
Reclassification from level 3 ⁽²⁾		(502)
Foreign currency translation	(14)	(43)
Additions	109	2 602
Disposals	(95)	(2 810)
Movements on third-party share of financial instruments in mutual funds	(5)	(27)
Balance at the end of the period	39 326	39 113
Properties	34 182	33 828
Financial instruments – equity and mutual funds	3 722	3 753
Financial instruments – debt	173	180
Financial instruments – investment policies	1 249	1 352

⁽¹⁾ Included in the fair value adjustments is a R361 million unrealised loss (31 December 2016: R4 852 million unrealised loss).

⁽²⁾ These movements were assessed based on the latest information available and one or more changes in the observability of valuation inputs. These changes were effective at the beginning of the year.

The liabilities categorised as level 3 relate to the mutual fund third party portion. The movement in the period relates mainly to unrealised fair value adjustments and therefore a reconciliation is not provided.

Fair value measurement disclosures (continued)

Fair value hierarchy (continued)

5 Sensitivity analysis of level 3 assets

5.1 Investment and owner-occupied property

Investment properties (including owner-occupied properties) fair values were derived by determining sustainable net rental income, to which an appropriate capitalisation rate is applied. Capitalisation rates are adjusted for occupancy levels, age of the building, location and expected future benefit of recent alterations.

The capitalisation rates applied at 30 June 2017 range between 6,8% and 10,5% (31 December 2016: between 6,8% and 10,5%). This compares to the ten year government yield of 8,79% (31 December 2016: 8,93%). The non-observable adjustments included in the valuation can therefore be referenced to the variance to the ten year government rate.

The table below indicates the sensitivity of the aggregate market values for a 1% (31 December 2016: 0,5%) change in the capitalisation rate. The change in the level 3 sensitivity rates allows closer alignment to other sensitivity analysis performed. Both the investment and the owner-occupied properties are largely linked to policyholder benefits and consortium non-controlling interests which limits the impact to group ordinary shareholder comprehensive income or equity for any changes in the fair value measurement.

Rm	Change in capitalisation rate		
	Total	1% increase	1% decrease
30 June 2017 (Unaudited)			
Properties below 6,8% capitalisation rate	28 449	14 589	33 542
Properties between 6,8 - 8,5% capitalisation rate	2 834	2 466	3 282
Properties between 8,6 - 10,5% capitalisation rate	2 899	2 612	3 248
Total	34 182	19 667	40 072
	Total	0,5% increase	0,5% decrease
31 December 2016 (Audited)			
Properties below 6,8% capitalisation rate	27 608	25 495	29 821
Properties between 6,8% - 8,5% capitalisation rate	2 640	2 477	2 827
Properties between 8,6% - 10,5% capitalisation rate	3 580	3 393	3 788
Total	33 828	31 365	36 436

5.2 Financial instrument assets

Rm	Unaudited 30 June 2017	Audited 31 December 2016
Equities and mutual funds		
Unlisted equities	1 876	1 871
Interests in associates	12	
Interests in joint ventures	1 186	1 219
Mutual funds	648	663
Investment policies	1 249	1 352
Debt		
Unlisted preference shares	173	180

Approximately 99% (31 December 2016: 99%) of these assets are allocated to policyholder investment-linked portfolios and therefore changes in estimates would be offset by equal changes in liability values. Discount factor applied is between 11% and 30% (31 December 2016: 11% and 30%).

Fair value measurement disclosures (continued)

Fair value hierarchy of instruments measured at fair value (continued)

5 Sensitivity analysis of level 3 assets (continued)

5.2 Financial instrument assets (continued)

Rm	Unaudited 30 June 2017			Audited 31 December 2016		
	Net shareholder exposure	Change in the discount rate		Net shareholder exposure	Change in the discount rate	
		1% increase	1% decrease		0,5% increase	0,5% decrease
After tax net impact to profit or loss and shareholder equity	345	(20)	23	345	(10)	10

Fair value measurement disclosures (continued)

Fair value hierarchy (continued)

6 Group's valuation process

The group's appointed asset managers have qualified valuers that perform the valuations of financial assets and appointed independent valuers to determine fair values of properties required for financial reporting purposes, including level 3 fair values. These valuations are reviewed and approved every reporting period by the group balance sheet committee. The committee is chaired by the group's financial director.

The fair value of level 3 instruments are determined using valuation techniques that incorporate certain assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include the assumed risk adjusted discount rate applied to estimate future cash flows and the liquidity and credit spreads applied to debt instruments. Changes in these assumptions could affect the reported fair value of the financial instruments.

6.1 Valuation techniques used in determining the fair value of assets and liabilities classified within level 2

INSTRUMENT	VALUATION BASIS/TECHNIQUES	MAIN ASSUMPTIONS
Unlisted preference shares	Discounted cash flow model (DCF)	Bond and interbank swap interest rate curves Agreement interest rate curves Issuer credit ratings Liquidity spreads
Unlisted term deposits, illiquid listed term deposits and senior secured term facility	DCF	Bond and interbank swap interest rate curves Issuer credit ratings Liquidity spreads
Mutual funds	Quoted put (exit) price provided by the fund manager	Price - not applicable Notice period - bond interest rate curves
Investment policies	Quoted put/surrender price provided by the issuer, adjusting for any applicable notice periods (DCF)	Price - not applicable Bond interest rate curves
Derivative assets and liabilities	Option pricing models DCF	Volatility and correlation factors Bond and interbank swap interest rate curves Forward equity and currency rates
Policyholder investment contracts liabilities		
- unit-linked policies	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
- annuity certain	DCF	Bond and interbank swap interest rate curves Own credit/liquidity
Third-party financial liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable

Fair value measurement disclosures (continued)

Fair value hierarchy (continued)

6 Group's valuation process (continued)

6.2 Valuation techniques used in determining the fair value of assets and liabilities classified within level 3

INSTRUMENT	VALUATION BASIS/TECHNIQUES	MAIN ASSUMPTIONS
Investment and owner-occupied properties	DCF	Capitalisation and discount rates Price per square meter Long-term net operating income margin Vacancies Market rental trends (average net rental growth of between 2,3% - 8,1%) Economic outlook Location Hotel income trends/inflation based Hotel occupancy (range between 50% - 75%)
	Sale price (if held for sale)	Not applicable
Unlisted equities and debt, including associates and joint ventures - measured at fair value	DCF/earnings multiple	Cost of capital Bond and interbank swap interest rate curves Consumer price index Gross domestic product If a property investment entity, then assumptions applied are as above under investment and owner-occupied property
	Net asset value	Not applicable
	Recent arm's length transactions	Not applicable
Unlisted preference shares	DCF	Bond and interbank swap interest rate curves Agreement interest rate curves Issuer credit ratings Liquidity spreads
Unlisted term deposits and illiquid listed term deposits	DCF	Bond and interbank swap interest rate curves Issuer credit ratings Liquidity spreads
Mutual funds	Quoted put (exit) price provided by the fund manager, adjusted for liquidity	Price - not applicable Notice periods and estimated repayment - bond interest rate curves Liquidity spreads
Investment policies	Probabilistic valuation methodology DCF	Face value Premium burden Life expectancy Bond and interbank swap interest rate curves
Third-party financial liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable