LIBERTY

# Liberty Holdings Limited

## Financial results 2016

*For the year ended 31 December*

# Highlights

Group equity value
**R41 billion**

## Group equity value
**= R145,86 per share**

## Liberty Group Limited CAR cover
**2,95 times**

## Assets under management
**R676 billion**

# Contents

# Financial performance indicators

for the year ended 31 December 2016

| **Rm (unless otherwise stated)** | **2016** | 2015 | % change |
|---|---|---|---|
| **Liberty Holdings Limited** | | | |
| Earnings | | | |
| Normalised operating earnings[1] | **1 740** | 2 772 | (37) |
| Basic earnings per share (cents) | **811,7** | 1 493,5 | (46) |
| Fully diluted basic earnings per share (cents) | **788,9** | 1 428,0 | (55) |
| Normalised headline earnings per share (cents)[1] | **904,5** | 1 464,5 | (38) |
| Normalised return on IFRS equity (%)[1] | **11,4** | 19,5 | (42) |
| Group equity value | | | |
| Normalised group equity value per share (R)[1] | **145,86** | 145,96 | |
| Normalised return on group equity value (%)[1] | **5,1** | 10,5 | (51) |
| Distributions per share (cents) | | | |
| Normal dividend | **691** | 691 | |
| Interim dividend | **276** | 254 | 9 |
| Final dividend | **415** | 437 | (5) |
| Total assets under management (Rbn) | **676** | 668 | 1 |
| Long-term insurance operations | | | |
| Indexed new business (excluding contractual increases) | **7 892** | 7 515 | 5 |
| Embedded value of new business | **483** | 729 | (34) |
| New business margin (%) | **1,1** | 1,8 | (39) |
| Net customer cash inflows | **1 119** | 5 402 | (79) |
| Capital adequacy cover of Liberty Group Limited (times covered) | **2,95** | 3,03 | (3) |
| Asset Management – STANLIB | | | |
| Assets under management (Rbn) | **586** | 579 | 1 |
| Net cash inflows including money market[2] | **5 764** | 8 454 | (32) |
| Retail and institutional net cash inflows excluding money market[2] | **4 488** | 7 343 | (39) |
| Money market net cash inflows[2] | **1 276** | 1 111 | 15 |

[1] *Normalised: operating earnings, headline earnings per share, return on equity, group equity value per share and return on group equity value*

*These measures reflect the economic reality of the consolidation of the listed REIT Liberty Two Degrees (L2D) and the Black Economic Empowerment (BEE) transaction, as opposed to the required technical accounting treatment.*

[2] *Excludes intergroup life funds.*

**Preparation and supervision:**
This announcement on Liberty Holdings Limited annual financial results for the year ended 31 December 2016 has been prepared and supervised by Y Maharaj (Executive: Group Finance) CA(SA) and CG Troskie (Financial Director) CA(SA).

# Financial review

for the year ended 31 December 2016

## Lower returns from investment markets and a challenging consumer environment contributed to weaker earnings in 2016. Group equity value has however been preserved and the capital position remains strong. Second half sales and cash flows improved whilst margins remained under pressure.

### Overview

Group equity value per share was maintained at the prior year level at R145,86 (31 December 2015: R145,96) Operating variances, and modelling and assumptions changes were net positive although lower than the prior year, supporting the assumptions underlying the group's equity value. However, the growth in group equity value was offset by significantly lower investment returns and the impact of capitalisation of reduced earnings from the asset management business.

Headline earnings for the year ended 31 December 2016 amounted to R2 207 million, down 46,2% compared to R4 102 million in 2015. Liberty's 2016 headline earnings were impacted by the first time consolidation of the Liberty Two Degrees listed REIT (L2D). This resulted in a negative earnings impact of R304 million due to an accounting mismatch, which has been adjusted for in calculating normalised headline earnings, as advised to shareholders in the trading statement released on 27 January 2017.

Normalised headline earnings for the 2016 year of R2 527 million were 38,8% lower, representing a 37,2% decline in normalised operating earnings and a 42,0% decline in earnings from the shareholder investment portfolio (SIP). Normalised return on equity was 11,4% (31 December 2015: 19,5%) due to the lower earnings in 2016.

The group was managed within the board approved risk appetite throughout 2016 and the capital position of the group's main long-term insurance licence, Liberty Group Limited, remained strong with the capital adequacy ratio at 2,95 (31 December 2015: 3,03) times the regulatory minimum.

Group sales improved in the second half of 2016 with indexed new business growth improving to 5,0%. Various new and enhanced product offerings, including the Guaranteed Investment Product, a more competitive offshore investment product offering and the launch of the Bold Living annuity, supported this result.

Management is continuing to execute on growth and geographic expansion strategies. We are in the advanced stages of acquiring a life licence in Nigeria.

The group successfully listed L2D in December 2016, providing an additional investment proposition to our customers.

### Normalised headline earnings

The main items contributing to the decrease in normalised headline earnings between 2015 and 2016 were as follows:

- Strengthening of assumption sets in the SA insurance business reduced earnings by R572 million from the prior year. In line with recent customer trends and regulatory developments, the retail business significantly strengthened its assumptions by R414 million (2015: weakened assumptions by R122 million) in the year. The impact of assumption changes in Liberty Corporate was a further strain of R36 million. These changes have strengthened the balance sheet, significantly improved management of interest rate risk and reduced future hedging costs.
- The impact of lower investment returns on the earnings of the SIP amounted to R569 million. Weak local equity markets coupled with the rand strengthening significantly against the US dollar and other major currencies during 2016, resulted in a 5.7% return on the SIP assets. The negative mark-to-market adjustment of certain infrastructure investments held in the alternatives portfolio in the second half of 2016 negated the positive performance of these assets reported in the first half. The extent of the SIP exposure to investment markets remains appropriate in the context of the group's risk appetite.
- STANLIB earnings were R267 million lower than 2015, resulting from decreases in the earnings from the South African operations of R108 million and earnings from the other African operations, which were R159 million down on 2015. STANLIB South Africa results were impacted by continued low market returns and positive but lower external net cash inflows, higher once off costs relating to the implementation of the outsourcing of its retail and institutional administration business and costs relating to provisioning for tax and client exposures. The other Africa business was mainly impacted by impaired bank exposures, the curtailment of guaranteed cash mandate business and provisions raised for client and operational exposures in Kenya.
- New business strain increased by R219 million in 2016, driven primarily by the geared effects of lower volumes, the introduction of the new risk tax fund and worse business mix.

### Sales

In the group's long-term insurance operations, indexed new business was 5,0% higher at R7 892 million. Recurring premium business increased by 4,1% over the prior year. Single premium investment business was up 7,1%. Management continues to actively address the priorities highlighted in the half year financial review, leading to second half Individual Arrangements indexed new business sales up 15,0% on the first half. Various new and enhanced product offerings were taken to market. These included continued strong support for the Guaranteed Investment Product, a more competitive offshore investment product offering, launch of the Bold living annuity and further policyholder investment choice following the listing of L2D.

# Financial review (continued)

for the year ended 31 December 2016

Net customer cash inflows amounted to R7,7 billion (31 December 2015: R15,2 billion) within which long-term insurance net customer cash inflows amounted to R1,1 billion (31 December 2015: R5,4 billion). Long-term insurance cash inflows reflected an improvement compared to the outflows of R353 million reported at the half year despite higher claims and surrenders, but remained subdued. Strong fourth quarter new business inflows in Individual Arrangements, lower scheme terminations and lower member withdrawals in Liberty Corporate contributed to the encouraging improvement in the second half of 2016. STANLIB net cash inflows of R5,8 billion (31 December 2015: R8,5 billion) were lower than prior year due mainly to lower South African non-money market flows, partly offset by improved non-money market inflows from the African businesses. The asset management cash inflows improved considerably from the net cash inflows of R453 million reported at 30 June 2016.

New business margins at 1,1% (31 December 2015: 1,8%) remained under pressure in the second half of 2016 due to writing of new risk business in the new risk tax fund and delayed re-pricing of these products as well as a continued change in the mix of business sold. The value of new business reduced to R483 million from R729 million at 31 December 2015. The improvement of the value of new business and related margin has been set as a key priority for 2017 and a number of actions are being implemented.

Total assets under management increased marginally to R676 billion (31 December 2015: R668 billion), due to low market returns combined with lower net customer cash inflows during the year.

## Management action

Management has taken active steps to address some of the shorter term challenges and made a number of executive management changes to improve the execution of the group's strategy and to ensure that key initiatives are prioritised. These are:

- Various management actions are underway to improve margins and grow the value of new business within the Individual Arrangements business. This is management's key priority for 2017.
- The focus on achieving cost savings across the group is ongoing.
- In line with the simplification of operations, projects continue to be delivered to enable product and customer efficiencies, providing more flexibility and reduced policy administration complexity.
- Liberty Corporate continues to drive a multiyear project which will deliver a simplified suite of cost effective and flexible risk and investment umbrella products.
- Ongoing focus on ensuring that the group remains within risk appetite.

## Earnings by business unit

| Rm (Unaudited) | 2016 | 2015 | % change |
|---|---|---|---|
| Insurance | | | |
| Individual Arrangements | **1 119** | 1 869 | (40) |
| Group Arrangements | **149** | 204 | (27) |
| Liberty Corporate | **191** | 219 | (13) |
| Liberty Africa Insurance | **41** | 25 | 64 |
| Liberty Health | **(45)** | (19) | >100 |
| Growth initiatives | **(38)** | (21) | 81 |
| Balance sheet management | **318** | 260 | 22 |
| LibFin Markets – credit portfolio | **300** | 260 | 15 |
| LibFin Markets – asset/liability management portfolio | **18** | | |
| Asset Management | **362** | 629 | (42) |
| STANLIB South Africa | **459** | 567 | (19) |
| STANLIB Other Africa | **(97)** | 62 | >(100) |
| Central overheads and sundry income | **(208)** | (190) | 9 |
| **Normalised operating earnings** | **1 740** | 2 772 | (37) |
| LibFin Investments – SIP | **787** | 1 356 | (42) |
| **Normalised headline earnings** | **2 527** | 4 128 | (39) |
| BEE preference share adjustment | **(16)** | (26) | (38) |
| Reversal of accounting mismatch arising on consolidation of L2D[1] | **(304)** | | |
| **Headline earnings** | **2 207** | 4 102 | (46) |

[1] *Refer Corporate actions.*

Commentary on the earnings by business unit follows on the pages below. Additional information is contained in the summary consolidated segment information.

# Financial review (continued)

for the year ended 31 December 2016

## Individual Arrangements

Headline earnings from the group's South African retail operations of R1 119 million were 40,1% down compared to 2015. The primary contributors to this result were the significant strengthening of forward looking assumptions to take account of recent customer trends and regulatory developments, increased new business strain, lower positive operating variances due to worsening persistency on investment business as well as on risk business at early durations.

Net customer cash inflows of R1,9 billion (31 December 2015: R6,3 billion) were below the prior year primarily due to the higher value of policy surrenders and maturities experienced during 2016, attributable to the challenging consumer environment.

Indexed new business grew by 3,4% over 2015, reflecting an improvement on the 1,2% year on year increase reported at 30 June 2016. Strong support for the Guaranteed Investment Product, a more competitive offshore investment product offering, launch of the Bold Living annuity and offering policyholders further investment choice following the successful listing of L2D contributed to the improved performance.

Value of new business of R426 million was below the prior year amount of R654 million due to the positive impact of the reduction in the risk discount rate being muted by the effect of the year end basis changes, the introduction of the new risk tax fund together with the delayed repricing of the risk products and the impact of acquisition expense growth exceeding new business growth. In addition, the value of new business was negatively affected by the business mix. The new business margin declined to 1,2% from 2,0% at 31 December 2015.

Despite the tough environment, the business continued to deliver positive, but lower, operating variances and was managed to better than model. The strengthening of the forward looking assumption sets has strengthened the balance sheet, significantly improved management of interest rate risk and reduced future hedging costs.

## Group Arrangements

### *Liberty Corporate*

Earnings of R191 million were achieved after a once-off R36 million charge related to strengthening of longevity improvement assumptions. Despite the higher volume of risk claims reported in the year, the underwriting result was slightly better than the prior year and reflected good risk selection. Good expense control continued during 2016. Indexed new business was 7% higher at R842 million, with recurring premium new business up 14% due to strong umbrella sales. Net cash outflows amounted to R751 million (31 December 2015: R891 million), reflecting low single premium new business and high risk claims linked to the challenging economic environment and associated job losses.

### *Liberty Africa Insurance*

Earnings of R41 million were above prior year earnings of R25 million. Poor investment markets, mainly in Kenya, Namibia and Botswana, negatively impacted shareholder investment income and fees. However the short-term insurance businesses produced good underwriting results demonstrating good pricing and claims management. Indexed new business in the long-term insurance businesses grew by 35,2% to R411 million with the value of new business lower at R29 million (31 December 2015: R45 million) at a margin of 5,6%. Customer cash flows of R483 million were 22,3% up on the prior year. During 2016, three short-term insurance acquisitions were successfully concluded in Uganda, Malawi and Botswana and a long-term business commenced in Lesotho.

Management is continuing to execute on growth and geographic expansion strategies. We are in the advanced stages of acquiring a life licence in Nigeria.

### *Liberty Health*

The business has been strategically repositioned to focus primarily on providing health risk value solutions to employers and their employees across the African continent. Growth of 16% per annum in the number of Liberty Health Cover product lives has been achieved over the last three years. Total lives serviced now amount to 121 000. Claims loss ratios have deteriorated in line with declining economic conditions across Africa, in particular Nigeria. The loss of R45 million includes the impact of the curtailment of the Liberty Medical Scheme (LMS) contracts in South Africa following LMS's scheme amalgamation with Bonitas Medical Aid and the consequential restructure of the administration business.

## Balance sheet management

### *LibFin Markets – Asset liability management and credit portfolio*

Earnings from the credit portfolio, a diversified portfolio of government, state owned enterprise and corporate securities backing the guaranteed investment product sets, increased to R300 million (31 December 2015: R260 million) in line with the continued growth of the portfolio and improved portfolio diversification.

The asset liability management portfolio, which consists of the market and liquidity risk exposures arising from the guaranteed investment product set, produced a profit of R18 million for the year compared to a break even result in 2015 despite a volatile trading environment.

LibFin assets under management were higher at R58 billion (31 December 2015: R50 billion).

# Financial review (continued)

for the year ended 31 December 2016

## Balance sheet management (continued)

### *LibFin Investments – Shareholder Investment Portfolio*

The SIP includes the assets backing capital in the insurance operations as well as the group's investment market exposure to the 90:10 book of business. This portfolio has a conservative balanced mandate and is managed with a long-term through the cycle investment horizon.

Market returns experienced in 2016 were muted and the portfolio accordingly delivered a gross return of 5,7% (31 December 2015: 9,6%) which was below the strategic benchmark for the year. The extent of the SIP exposure to investment markets remains appropriate in the context of the group's risk appetite. The SIP contributed R787 million (31 December 2015: R1 356 million) to the group's normalised headline earnings.

## Asset Management

### *STANLIB*

STANLIB's headline earnings of R362 million were 42% lower than the prior year. Continued low market returns and positive but lower external net cash inflows, higher once off costs relating to the implementation of the outsourcing of its retail and institutional administration business and costs relating to provisioning for tax and client exposures contributed to this result. The other Africa business was mainly impacted by impaired bank exposures and the curtailment of guaranteed cash mandate business in Kenya. Costs incurred in identifying, resolving and providing for potential exposures and write offs further impacted the results of the business in Kenya. Operations in the other African territories tracked expectation.

Total assets under management by STANLIB increased by 1% to R586 billion (31 December 2015: R579 billion), as a result of low growth from investment market returns and low net cash inflows.

Net customer cash inflows (excluding intergroup) amounted to R5,8 billion compared to R8,5 billion in the prior year. This result was mainly driven by lower South African non-money market flows and was partly offset by improved non-money market inflows from the African businesses. The asset management cash inflows improved considerably from the net cash inflows of R453 million reported at 30 June 2016. Intergroup cash outflows for the year amounted to R10,0 billion.

## Bancassurance

The bancassurance partnership arrangement with Standard Bank, which is applicable across the group's asset management and insurance operations, continues to make a positive contribution to new business volumes and earnings. The total indexed new business premiums sold under the agreement increased by 6,3% to R3,1 billion (31 December 2015: R2,9 billion).

## Capital adequacy cover

The capital adequacy cover of Liberty Group Limited remained strong at 2,95 times the statutory requirement (31 December 2015: 3,03 times). The group remains well capitalised at the upper end of its target range in respect of the current capital regime and in respect of capital requirements under the impending Solvency Assessment and Management (SAM) regime. All other group subsidiary life licences were adequately capitalised.

Capital adequacy requirements in South Africa are set at the higher of the "termination" (TCAR) basis or "ordinary" (OCAR) basis. Both 31 December 2016 and 2015 reflected OCAR as the higher amount.

The board remains confident of the group's ability to support its dividend policy.

## Dividends

### *2016 final dividend*

In line with the group's dividend policy, the board has approved and declared a gross final dividend of 415 cents per ordinary share. The final dividend will be paid out of income reserves and is payable on Monday, 10 April 2017 to all ordinary shareholders recorded in the books of Liberty Holdings Limited on the record date.

The dividend of 415 cents per ordinary share will be subject to a local dividend tax rate of 20% which will result in a net interim dividend, to those shareholders who are not exempt from paying dividend tax, of 332 cents per ordinary share. Liberty Holdings Limited's income tax number is 9050/191/71/8. The number of ordinary shares in issue in the company's share capital at the date of declaration is 286 202 373.

The important dates pertaining to the dividend are as follows:

| | |
|---|---|
| Last date to trade cum dividend on the JSE | Tuesday, 4 April 2017 |
| First trading day ex dividend on the JSE | Wednesday, 5 April 2017 |
| Record date | Friday, 7 April 2017 |
| Payment date | Monday, 10 April 2017 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 April 2017 and Friday, 7 April 2017, both days inclusive. Where applicable, in terms of instructions received by the company from certificated shareholders, the payment of the dividend will be made electronically to shareholders' bank accounts on payment date.

In the absence of specific mandates, cheques will be posted to shareholders. Shareholders who have dematerialised their shares will have their accounts with their CSDP or broker credited on Monday, 10 April 2017.

# Financial review (continued)

for the year ended 31 December 2016

## Prospects

Management's immediate priorities are to address shorter term challenges relating to sales, the ongoing competitiveness of Liberty's product suite and ongoing cost management.

Operating conditions are expected to remain tough and the pressure on consumer disposable income is likely to continue in the short term. However, our strategy remains intact and we are resolute in developing competitive value propositions for our customers, driving efficiency through simplifying our operations, managing risk appropriately, deploying capital effectively and pursuing profitable growth opportunities over the long term.

**Thabo Dloti**
*Chief Executive*

**Jacko Maree**
*Chairman*

23 February 2017

LIBERTY

www.libertyholdings.co.za

**Liberty Holdings Limited**
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JSE code: LBH
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**Transfer Secretaries**
Computershare Investor Services Proprietary Limited
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**Sponsor**
Merrill Lynch
A subsidiary of Bank of America Corporation

*These results are available at www.libertyholdings.co.za*

# Accounting policies

The 2016 consolidated annual financial statements of Liberty Holdings Limited have been prepared in accordance with and contains information required by:

- International Financial Reporting Standards (IFRS) including IAS 34 *Interim Financial Reporting* (with the exception of disclosures required under IAS 34 16A (j) relating to fair value measurement, which are not required by the JSE Listing Requirements);
- the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- the Listings Requirements of the JSE Limited; and
- the South African Companies Act No. 71 of 2008.

The consolidated annual financial statements have been prepared in compliance with IFRS and interpretations for year ends commencing on or after 1 January 2016. The accounting policies are consistent with those adopted in the previous year except for the mandatory adoption of minor amendments, early adoption of amendments to IFRS and voluntary changes in presentation policies, as set out below. The minor amendments have not resulted in any material impacts to the group's 2016 reported results or comparative periods.

Reinsurance liabilities were included within the aggregate policyholder liabilities for insurance contracts. To provide more relevant and useful information to the user, these reinsurance liabilities have been separately disclosed on the face of the statement of financial position, as this class of liabilities represents the effect of management's risk mitigation action on policyholder contracts.

In addition, certain individual pure risk contracts, where the present value of expected future inflows exceeded the present value of expected future outflows at a portfolio level, were included as negative liability amounts (policyholder assets) within the aggregate policyholder liabilities for insurance contracts. A change in presentation was adopted for the year ended 31 December 2016 to disclose portfolio level negative policyholder liabilities as policyholder assets.

As a result of these two voluntary presentation changes, R7 314 million (2015: R7 579 million) is disclosed separately in the statement of financial position as long-term policyholder assets and R555 million (2015: R617 million) is disclosed as reinsurance liabilities with a net adjustment to long-term policyholder liabilities of R6 579 million (2015: R6 962 million). The impact is a presentation change only and there is no resultant change to the group's total earnings, comprehensive income, shareholders' equity or net asset value.

The change in presentation provides more relevant and meaningful information and closer aligns the treatment of insurance contracts with the prescribed reporting requirements expected under IFRS 17, the new standard on insurance contracts.

In addition, amendments to IAS 1 *Presentation of Financial Statements*, effective 1 January 2016, clarify that materiality applies to the complete set of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. As a consequence, the group undertook a project to assess the effectiveness of disclosures in the annual financial statements and removed or amended immaterial disclosures, resulting in a more streamlined and concise set of annual financial statements.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative and IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*, effective 1 January 2017, have been early adopted as at 1 January 2016. These amendments have not impacted on the group results, however increased disclosure relating to financing activities is required under the Disclosure Initiative amendments for annual financial statements. Upon review of the financing activities presented in the statement of cash flows, collateral deposits payable (not related to repurchase agreements) included in 'Net proceeds on repurchase agreements liabilities and collateral deposits payable' would be more accurately presented as part of investing activities. The statement of cash flows has been restated to reflect this for 2015.

# Auditor statement

PricewaterhouseCoopers Inc. (PwC) have audited the consolidated annual financial statements of Liberty Holdings Limited from which the summary consolidated financial results have been extracted. These summary consolidated financial results comprise the consolidated statement of financial position at 31 December 2016, the consolidated statement of comprehensive income, summary consolidated changes in equity and summary consolidated cash flows for the year then ended and selected explanatory notes. These statements and related notes are marked as 'audited'. This announcement itself is not audited.

The financial results contained in this announcement have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34 *Interim Financial Reporting*.

# Auditor statement (continued)

The accounting policies applied in the preparation of the consolidated annual financial statements, from which the summary consolidated financial results were extracted, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the prior year's consolidated annual financial statements except for the changes outlined in the Accounting policies above. This announcement does not include the information required pursuant to paragraph 16A (j) of IAS 34. The full IAS 34 compliant summary consolidated financial results announcement and a copy of the auditors' report is available on request or on the company's website and at the company's registered office.

The auditors have expressed an unmodified audit opinion on the consolidated annual financial statements. PwC have also issued an unmodified assurance opinion on Liberty Holdings Limited's group equity value report, which has also been marked as 'audited' in this financial results announcement.

Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' reports together with the accompanying financial information which is available upon request from Liberty Holdings Limited's registered office.

# Directors' responsibility

The summary consolidated annual financial statements included in this announcement are the full responsibility of the directors. The directors confirm that the financial information has been correctly extracted from the underlying 2016 audited consolidated Liberty Holdings Limited annual financial statements which are available for inspection at the company's registered office on request.

# Explanation of terms

## Normalised: operating earnings, headline earnings per share, return on equity, group equity value per share and return on group equity value

These measures reflect the economic reality of the consolidation of the listed REIT Liberty Two Degrees (L2D) and the Black Economic Empowerment (BEE) transaction, as opposed to the required technical accounting treatment.

*Reversal of accounting mismatch arising on consolidation of L2D*

An accounting mismatch arises on consolidation of L2D in the group annual financial statements, resulting from the different measurement bases applied to L2D's assets and Liberty Group Limited's (100% subsidiary of Liberty Holdings Limited) policyholder liabilities. Specifically:

- the investment property assets of L2D are included in the group annual financial statements at fair value; whereas
- the corresponding obligations to Liberty Group Limited's policyholder assets are required under IFRS to continue to be measured in the group annual financial statements at the listed price of the L2D units.

The result of this accounting mismatch is that any increase in the premium at which L2D's listed units trade relative to the underlying net asset value will result in a reported loss in the group annual financial statements. Conversely, any decrease in the premium (or change from a premium to a discount) will result in a reported profit in the group annual financial statements.

*BEE transaction*

IFRS reflects the BEE transaction as a share buy-back. Dividends received on the group's preference shares (which are recognised as an asset for this purpose) are included in income. Shares in issue relating to the transaction are reinstated

## Capital adequacy requirement (CAR)

The capital adequacy requirement is the minimum amount by which the Financial Services Board requires an insurer's assets to exceed its liabilities. The assets, liabilities and CAR must be calculated using a method which meets the Financial Services Board's requirements. Capital adequacy cover refers to the amount of capital the insurer has as a multiple of the minimum requirement.

# Explanation of terms (continued)

### Development costs

Represents project costs incurred on developing or enhancing future revenue opportunities.

### FCTR

Foreign Currency Translation Reserve.

### "Liberty" or "group"

Represents the collective of Liberty Holdings Limited and its subsidiaries.

### Long-term insurance operations – Indexed new business

This is a measure of new business which is calculated as the sum of twelve months' premiums on new recurring premium policies and one tenth of single premium sales.

### Long-term insurance operations – Value of new business and margin

The present value, at point of sale, of the projected stream of after tax profits for new business issued, net of the cost of required capital. The present value is calculated using a risk adjusted discount rate. Margin is calculated using the value of new business divided by the present value of future modelled premiums.

### Short-term insurance operations – Claims loss ratio

This is a measure of underwriting risk and is measured as a ratio of claims incurred divided by the net premiums earned.

# Consolidated statement of financial position

as at 31 December 2016

| Rm (Audited) | 2016 | Restated 31 December 2015 | Restated 1 January 2015 |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets | **390** | 317 | 368 |
| Defined benefit pension fund employer surplus | **215** | 301 | 277 |
| Properties | **33 828** | 33 321 | 29 747 |
| Equipment | **1 105** | 1 178 | 975 |
| Interests in joint ventures | **1 229** | 979 | |
| Interests in associates | **12 995** | 16 967 | 16 497 |
| Deferred taxation | **358** | 326 | 455 |
| Deferred acquisition costs | **713** | 673 | 590 |
| Long-term policyholder assets – insurance contracts | **7 314** | 7 579 | 6 507 |
| Reinsurance assets | **1 674** | 1 658 | 1 558 |
| Long-term insurance | **1 352** | 1 317 | 1 302 |
| Short-term insurance | **322** | 341 | 256 |
| Financial investments | **316 441** | 307 608 | 291 517 |
| Loans and receivables | **1 242** | 1 210 | 1 327 |
| Assets held for trading and for hedging | **8 609** | 11 890 | 7 777 |
| Repurchase agreements, scrip and collateral assets | **15 483** | 19 225 | 6 991 |
| Prepayments, insurance and other receivables | **5 300** | 4 360 | 3 668 |
| Cash and cash equivalents | **14 994** | 19 305 | 13 985 |
| Total assets | **421 890** | 426 897 | 382 239 |
| **Liabilities** | | | |
| Long-term policyholder liabilities | **307 230** | 305 194 | 293 617 |
| Insurance contracts | **204 155** | 205 485 | 201 457 |
| Investment contracts with discretionary participation features | **11 462** | 11 250 | 10 177 |
| Financial liabilities under investment contracts | **91 613** | 88 459 | 81 983 |
| Reinsurance liabilities | **555** | 617 | 406 |
| Third-party financial liabilities arising on consolidation of mutual funds | **44 046** | 46 329 | 34 501 |
| Provisions | **191** | 168 | 173 |
| Deferred taxation | **2 586** | 4 436 | 4 131 |
| Deferred revenue | **268** | 247 | 216 |
| Deemed disposal taxation liability | **873** | | 268 |
| Short-term insurance liabilities | **925** | 937 | 683 |
| Financial liabilities | **4 601** | 3 914 | 3 575 |
| Liabilities held for trading and for hedging | **6 798** | 11 125 | 5 148 |
| Repurchase agreements liabilities and collateral deposits payable | **11 748** | 16 159 | 5 191 |
| Employee benefits | **1 369** | 1 400 | 1 371 |
| Insurance and other payables | **11 213** | 10 041 | 9 060 |
| Current taxation | **481** | 337 | 265 |
| Total liabilities | **392 884** | 400 904 | 358 605 |
| **Equity** | | | |
| Ordinary shareholders' equity | **21 676** | 21 739 | 19 487 |
| Share capital | **26** | 26 | 26 |
| Share premium | **5 296** | 5 524 | 5 755 |
| Retained surplus | **16 990** | 16 615 | 14 599 |
| Other reserves | **(636)** | (426) | (893) |
| Non-controlling interests | **7 330** | 4 254 | 4 147 |
| Total equity | **29 006** | 25 993 | 23 634 |
| Total equity and liabilities | **421 890** | 426 897 | 382 239 |

# Consolidated statement of comprehensive income

for the year ended 31 December 2016

| Rm (Audited) | 2016 | Restated 2015 |
|---|---|---|
| Insurance premiums | **41 288** | 39 245 |
| Reinsurance premiums | **(1 922)** | (1 673) |
| *Net insurance premiums* | **39 366** | 37 572 |
| Fee income and reinsurance commission | **3 731** | 3 840 |
| Investment income | **20 885** | 19 634 |
| Hotel operations sales | **585** | 524 |
| Investment (losses)/gains | **(1 823)** | 12 425 |
| Total revenue | **62 744** | 73 995 |
| Claims and policyholder benefits under insurance contracts | **(39 664)** | (34 362) |
| Insurance claims recovered from reinsurers | **1 450** | 1 203 |
| Change in long-term policyholder assets and liabilities | **598** | (3 725) |
| Liabilities under insurance contracts | **1 164** | (3 794) |
| Policyholder assets related to insurance contracts | **(265)** | 1 072 |
| Investment contracts with discretionary participation features | **(404)** | (802) |
| Applicable to reinsurers | **103** | (201) |
| Fair value adjustment to long-term policyholder liabilities under investment contracts | **(3 891)** | (6 181) |
| Fair value adjustment to financial liabilities | **(27)** | (14) |
| Fair value adjustment on third party mutual fund interests | **619** | (7 301) |
| Acquisition costs | **(4 723)** | (4 760) |
| General marketing and administration expenses | **(10 733)** | (10 149) |
| Finance costs | **(1 415)** | (1 196) |
| Profit share allocations under bancassurance and other agreements | **(1 029)** | (933) |
| Equity accounted earnings from joint venture | **22** | 13 |
| *Profit before taxation* | **3 951** | 6 590 |
| Taxation[1] | **(1 325)** | (2 303) |
| Total earnings | **2 626** | 4 287 |
| *Other comprehensive income* | **(148)** | 62 |
| *Items that may be reclassified subsequently to profit or loss* | **(101)** | 71 |
| Net change in fair value on cash flow hedges | **218** | (150) |
| Income and capital gains tax relating to net change in fair value on cash flow hedges | **(56)** | 37 |
| Foreign currency translation | **(263)** | 184 |
| *Items that may not be reclassified subsequently to profit or loss* | **(47)** | (9) |
| Owner-occupied properties – fair value adjustment | **(1)** | 54 |
| Income and capital gains tax relating to owner-occupied properties fair value adjustment | | (17) |
| Change in long-term policyholder insurance liabilities (application of shadow accounting) | **1** | (37) |
| Actuarial gains/(losses) on post-retirement medical aid liability | **30** | (34) |
| Income tax relating to post-retirement medical aid liability | **(8)** | 10 |
| Net adjustments to defined benefit pension fund[2] | **(96)** | 20 |
| Income tax relating to defined benefit pension fund | **27** | (5) |
| Total comprehensive income | **2 478** | 4 349 |
| Total earnings attributable to: | | |
| Shareholders' equity | **2 209** | 4 011 |
| Non-controlling interests | **417** | 276 |
| | **2 626** | 4 287 |
| Total comprehensive income attributable to: | | |
| Shareholders' equity | **2 128** | 4 010 |
| Non-controlling interests | **350** | 339 |
| | **2 478** | 4 349 |
| Basic and fully diluted earnings per share | **Cents** | Cents |
| Basic earnings per share | **811,7** | 1 493,5 |
| Fully diluted basic earnings per share | **788,9** | 1 428,0 |

[1] *IFRS requires both policyholder and shareholder taxation to be reported in the taxation line. This therefore distorts the effective tax charge relative to profit before taxation.*
[2] *Net adjustments to defined benefit pension fund include actuarial gains or losses, return on plan assets, reduced by the interest on the net defined benefit asset and the effect of the application of the asset ceiling.*

# Summary consolidated statement of changes in shareholders' funds

for the year ended 31 December 2016

| Rm (Audited) | 2016 | 2015 |
|---|---|---|
| Balance of ordinary shareholders' interests at 1 January | **21 739** | 19 487 |
| Ordinary dividends | **(2 022)** | (1 874) |
| Total comprehensive income | **2 128** | 4 010 |
| Share buy-back[1] | **(477)** | (444) |
| Black economic empowerment transaction | **195** | 520 |
| Share-based payments | **132** | 140 |
| Transaction costs of issuing units in Liberty Two Degrees | **(78)** | |
| Preference dividends | **(2)** | (2) |
| Transactions between owners | **(40)** | (98) |
| Transactions between owners – Liberty Two Degrees | **101** | |
| **Ordinary shareholders' interests** | **21 676** | 21 739 |
| Balance of non-controlling interests at 1 January | **4 254** | 4 147 |
| Total comprehensive income | **350** | 339 |
| Acquisition of Liberty Two Degrees | **3 000** | |
| Transactions between owners – Liberty Two Degrees | **(101)** | |
| Acquisition of unincorporated property partnership | **98** | |
| Acquisition of subsidiaries | **33** | |
| Unincorporated property partnerships net distributions | **(219)** | (144) |
| Non-controlling interests' share of subsidiary dividend | **(21)** | (43) |
| Non-controlling interests' share of shares issued/(capital reduction) in subsidiary | **3** | (1) |
| Transaction costs of issuing units in Liberty Two Degrees | **(38)** | |
| Transactions between owners | **(29)** | (44) |
| **Non-controlling interests** | **7 330** | 4 254 |
| **Total equity** | **29 006** | 25 993 |

[1] *Share buy-backs are purchases from the market to meet employee share-based payment obligations.*

# Summary consolidated statement of cash flows

for the year ended 31 December 2016

| Rm (Audited) | 2016 | Restated 2015 |
|---|---|---|
| Cash flows from operating activities | **2 443** | 13 489 |
| Cash (utlised)/generated by operations | **(9 157)** | 2 033 |
| Interest and dividends received | **18 242** | 17 181 |
| Dividends paid | **(2 717)** | (2 255) |
| Taxation paid | **(2 260)** | (2 055) |
| Other operating cash flows | **(1 665)** | (1 415) |
| Cash flows from investing activities | **(6 607)** | (16 052) |
| Net purchase of investments | **(4 937)** | (16 759) |
| Net purchase of other assets | **(288)** | (650) |
| Proceeds on collateral deposits payable | **(1 236)** | 3 246 |
| Acquisition of subsidiaries | **(146)** | (1 889) |
| Cash flows from financing activities | **(18)** | 7 691 |
| Net advance of financial liabilities | **687** | 339 |
| Net proceeds on repurchase agreements liabilities | **(3 175)** | 7 722 |
| Net cash flows from equity transactions with non-controlling interests | **3 063** | 74 |
| Transaction costs of issuing units in Liberty Two Degrees | **(116)** | |
| Share buy-back | **(477)** | (444) |
| Net increase in cash and cash equivalents | **(4 182)** | 5 128 |
| Cash and cash equivalents at the beginning of the year | **19 305** | 13 985 |
| Cash and cash equivalents acquired through business acquisitions | **61** | |
| Foreign currency translation | **(190)** | 192 |
| **Cash and cash equivalents at the end of the year** | **14 994** | 19 305 |

# Headline earnings and earnings per share

for the year ended 31 December 2016

| Rm (Audited) | 2016 | 2015 |
|---|---|---|
| **Reconciliation of total earnings to headline earnings attributable to shareholders** | | |
| Total earnings attributable to shareholders | **2 209** | 4 011 |
| Preference share dividend | **(2)** | (2) |
| **Basic earnings attributable to ordinary shareholders** | **2 207** | 4 009 |
| Impairment of intangible assets | | 110 |
| Tax on headline earnings adjustable item | | (17) |
| **Headline earnings attributable to ordinary shareholders** | **2 207** | 4 102 |
| Net income earned on BEE preference shares | **16** | 26 |
| Reversal of the accounting mismatch arising on consolidation of L2D[1] | **304** | |
| **Normalised headline earnings attributable to ordinary shareholders** | **2 527** | 4 128 |
| Weighted average number of shares in issue ('000) | **271 883** | 268 423 |
| Normalised weighted average number of shares in issue ('000) | **279 373** | 281 864 |
| Fully diluted weighted average number of shares in issue ('000) | **279 760** | 280 736 |
| **Earnings per share** | **Cents** | Cents |
| **Total earnings attributable to ordinary shareholders** | | |
| Basic | **811,7** | 1 493,5 |
| Headline | **811,7** | 1 528,2 |
| Normalised headline | **904,5** | 1 464,5 |
| **Fully diluted earnings attributable to ordinary shareholders** | | |
| Basic | **788,9** | 1 428,0 |
| Headline | **788,9** | 1 461,2 |

[1] *Refer Corporate actions.*

# Summary consolidated segment information

for the year ended 31 December 2016

| 2016 Rm (Audited) | Individual Arrange-ments | Group Arrange-ments | Asset Manage-ment | Other | Total | Reporting adjust-ments[1] | IFRS reported |
|---|---|---|---|---|---|---|---|
| **Total revenue** | 56 583 | 18 050 | 3 384 | 1 097 | 79 114 | (16 370) | 62 744 |
| Profit before taxation | 2 018 | 446 | 517 | 653 | 3 634 | 317 | 3 951 |
| Taxation | (950) | (162) | (148) | (65) | (1 325) | | (1 325) |
| **Total earnings** | 1 068 | 284 | 369 | 588 | 2 309 | 317 | 2 626 |
| Other comprehensive income/(loss) | 181 | (131) | (31) | (167) | (148) | | (148) |
| **Total comprehensive income** | 1 249 | 153 | 338 | 421 | 2 161 | 317 | 2 478 |
| Attributable to non-controlling interests | | 5 | (7) | (31) | (33) | (317) | (350) |
| Shareholders | 1 249 | 158 | 331 | 390 | 2 128 | | 2 128 |
| **Reconciliation of total earnings to headline earnings attributable to shareholders** | | | | | | | |
| Total earnings | 1 068 | 284 | 369 | 588 | 2 309 | 317 | 2 626 |
| Attributable to non-controlling interests | | (62) | (7) | (31) | (100) | (317) | (417) |
| Preference share dividend | | | | (2) | (2) | | (2) |
| **Headline earnings** | 1 068 | 222 | 362 | 555 | 2 207 | | 2 207 |
| Net income earned on BEE preference shares | | | | 16 | 16 | | 16 |
| Reversal of the accounting mismatch arising on consolidation of L2D | | | | 304 | 304 | | 304 |
| **Normalised headline earnings** | 1 068 | 222 | 362 | 875 | 2 527 | | 2 527 |

[1] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.*

The customer facing units are supported by shared service functions (Group Enablement) and LibFin (incorporating LibFin Markets and LibFin Investments), which are strategic competency units. The impact of LibFin Markets is disclosed in the relevant customer grouping. Refer to supplementary information included in the full results announcement available on the Liberty website for the reconciliation of business unit earnings to segment result.

# Summary consolidated segment information (continued)

for the year ended 31 December 2016

| 2015 Rm (Audited) | Individual Arrange-ments | Group Arrange-ments | Asset Manage-ment | Other | Total | Reporting adjust-ments[1] | IFRS reported |
|---|---|---|---|---|---|---|---|
| **Total revenue** | 57 694 | 18 527 | 3 436 | 2 169 | 81 826 | (7 831) | 73 995 |
| Profit before taxation | 3 427 | 499 | 842 | 1 599 | 6 367 | 223 | 6 590 |
| Taxation | (1 737) | (193) | (205) | (168) | (2 303) | | (2 303) |
| **Total earnings** | 1 690 | 306 | 637 | 1 431 | 4 064 | 223 | 4 287 |
| Other comprehensive (loss)/income | (136) | 138 | 44 | 16 | 62 | | 62 |
| **Total comprehensive income** | 1 554 | 444 | 681 | 1 447 | 4 126 | 223 | 4 349 |
| Attributable to non-controlling interests | | (106) | (10) | | (116) | (223) | (339) |
| Shareholders | 1 554 | 338 | 671 | 1 447 | 4 010 | | 4 010 |
| **Reconciliation of total earnings to headline earnings attributable to shareholders** | | | | | | | |
| Total earnings | 1 690 | 306 | 637 | 1 431 | 4 064 | 223 | 4 287 |
| Attributable to non-controlling interests | | (45) | (8) | | (53) | (223) | (276) |
| Preference share dividend | | | | (2) | (2) | | (2) |
| Impairment of intangible assets | 51 | 21 | | 21 | 93 | | 93 |
| **Headline earnings** | 1 741 | 282 | 629 | 1 450 | 4 102 | | 4 102 |
| Net income earned on BEE preference shares | | | | 26 | 26 | | 26 |
| **Normalised headline earnings** | 1 741 | 282 | 629 | 1 476 | 4 128 | | 4 128 |

[1] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.*

# Group equity value report

for the year ended 31 December 2016

## 1 Introduction

Liberty presents a "group equity value" report to reflect the combined value of the various components of Liberty's businesses.

Section 3 below describes the valuation bases used for each reported component. It should be noted that the group equity value is presented to provide additional information to shareholders to assess performance of the group. The total equity value is not intended to be a fair value calculation of the group but should provide indicative information of the inherent value of the component parts.

## 2 Change in measurement basis of LibFin Markets – credit portfolio (LibFin Credit) and certain shareholder recurring costs

In order to improve the relevance of sources of equity value earnings and to better align to future statutory guidance on expense modelling, with effect from 1 January 2015 the method to value the contribution of LibFin Credit and the treatment of certain recurring shareholder costs was changed as described in the 31 December 2015 annual financial statements.

These changes have been applied retrospectively with the cumulative effect recognised at 1 January 2015. The effect of these changes at 1 January 2015 was a decrease in the normalised group equity value of R189 million.

## 3 Component parts of the group equity value and valuation techniques used

Group equity value has been calculated as the sum of the following component parts:

### 3.1 *South African (SA) covered business:*

The wholly owned subsidiary, Liberty Group Limited, comprises the South African long-term insurance entities and related asset holding entities. The embedded value methodology in terms of Advisory Practice Note 107 issued by the Actuarial Society of South Africa continues to be used to derive the value of this business cluster described as "South African covered business". The embedded value report of the South African covered business has been reviewed by the group's statutory actuary. The full embedded value report is included in the supplementary information section.

### 3.2 *Other businesses:*

| | |
|---|---|
| STANLIB | Valued using a 10 times (2015: 10 times) multiple of estimated sustainable earnings. |
| Liberty Health | As Liberty Health has yet to establish a history to support a sustainable earnings calculation, an adjusted IFRS net asset value is applied. |
| Liberty Africa Insurance | Liberty Africa Insurance is an emerging cluster of both long and short-term insurance businesses located in various African countries outside of South Africa. A combination of valuation techniques including embedded value, discounted cash flow and earnings multiples have been applied to value these businesses. The combined value of this cluster is not material relative to the other components of group equity value and therefore a detailed analysis of this valuation has not been presented. At 31 December 2016 and 31 December 2015 the combined valuations approximated the group's IFRS net asset value. Therefore the IFRS net asset value was used. |
| Liberty Holdings | The net market value of assets and liabilities held by the Liberty Holdings Limited company excluding investments in any subsidiaries which are valued separately. |

### 3.3 *Other adjustments:*

These comprise the fair value of share rights allocated to staff not employed by the South African covered businesses, adjusting certain deferred tax assets to current values and allowance for certain shareholder recurring costs incurred in Liberty Holdings Limited capitalised at a multiple of 9 times (2015: 9 times).

# Group equity value report (continued)

for the year ended 31 December 2016

## 4 Normalised group equity value

### 4.1 *Analysis of normalised group equity value*

| 31 December 2016<br>Rm (Audited) | SA covered business | Other businesses | Total |
|---|---|---|---|
| Liberty Group Limited | **18 505** | | **18 505** |
| STANLIB South Africa[2] | | **777** | **777** |
| STANLIB Other Africa[2] | | **104** | **104** |
| Liberty Health (including Total Health Trust) | | **404** | **404** |
| Liberty Africa Insurance | | **808** | **808** |
| Liberty Holdings | | **1 408** | **1 408** |
| Liberty Two Degrees normalisation adjustment[1] | | **(330)** | **(330)** |
| Shareholders' equity reported under IFRS | **18 505** | **3 171** | **21 676** |
| *Difference between statutory and published valuation methods* | **(6 786)** | **(58)** | **(6 844)** |
| Negative rand reserves | **(6 344)** | | **(6 344)** |
| Deferred acquisition costs | **(698)** | | **(698)** |
| Deferred revenue liability | **256** | | **256** |
| Other | | **(58)** | **(58)** |
| Subordinated notes (including accrued interest) | **4 601** | | **4 601** |
| CAR of subsidiaries | **(10)** | | **(10)** |
| Reverse value of in-force acquired | **(17)** | | **(17)** |
| Inadmissible assets | **(807)** | **(85)** | **(892)** |
| Statutory excess assets over liabilities | **15 486** | **3 028** | **18 514** |
| Reverse difference between statutory and published valuation methods | | **58** | **58** |
| Reverse CAR of subsidiaries | **10** | | **10** |
| Reverse subordinated notes (including accrued interest) | **(4 601)** | | **(4 601)** |
| Reverse inadmissible assets | **807** | **85** | **892** |
| Frank Financial Services allowance for future expenses | **(100)** | | **(100)** |
| Impact of discounting on deferred tax asset | | **(100)** | **(100)** |
| BEE preference funding | **148** | | **148** |
| Liberty Two Degrees normalisation adjustment[1] | | **330** | **330** |
| Allowance for employee share options/rights | **(33)** | **(27)** | **(60)** |
| Normalised net worth | **11 717** | **3 374** | **15 091** |
| Value of in-force – Individual Arrangements | **21 635** | | **21 635** |
| Value of in-force – Group Arrangements: Liberty Corporate | **2 759** | | **2 759** |
| Cost of required capital | **(1 641)** | | **(1 641)** |
| Fair value adjustment – STANLIB South Africa[2] | | **5 013** | **5 013** |
| Fair value adjustment – STANLIB Other Africa[2] | | **256** | **256** |
| Allowance for future shareholder costs | | **(1 892)** | **(1 892)** |
| **Normalised equity value** | **34 470** | **6 751** | **41 221** |

[1] *Represents the difference between Libertys' share of the net asset value of L2D as at 31 December 2016 and the listed price of L2D units multiplied by the number of units in issue to Liberty at 31 December 2016.*

[2] ***STANLIB total valuation:***

| | Rm |
|---|---|
| *South Africa* | ***5 790*** |
| *Other Africa* | ***360*** |
| ***Total*** | ***6 150*** |

# Group equity value report (continued)

for the year ended 31 December 2016

## 4 Normalised group equity value (continued)

### 4.1 *Analysis of normalised group equity value* (continued)

| 31 December 2015<br>Rm (Audited) | SA covered business | Other businesses | Total |
|---|---|---|---|
| Liberty Group Limited | 19 263 | | 19 263 |
| STANLIB South Africa[(2)] | | 546 | 546 |
| STANLIB Other Africa[(2)] | | 259 | 259 |
| Liberty Health (including Total Health Trust) | | 373 | 373 |
| Liberty Africa Insurance | | 736 | 736 |
| Liberty Holdings | | 562 | 562 |
| Shareholders' equity reported under IFRS | 19 263 | 2 476 | 21 739 |
| *Difference between statutory and published valuation methods* | (6 633) | (112) | (6 745) |
| Negative rand reserves | (6 216) | | (6 216) |
| Deferred acquisition costs | (651) | | (651) |
| Deferred revenue liability | 234 | | 234 |
| Other | | (112) | (112) |
| Subordinated notes (including accrued interest) | 3 579 | | 3 579 |
| CAR of subsidiaries | (10) | | (10) |
| Reverse value of in-force acquired | (30) | | (30) |
| Inadmissible assets | (584) | 3 | (581) |
| Statutory excess assets over liabilities | 15 585 | 2 367 | 17 952 |
| Reverse difference between statutory and published valuation methods | | 112 | 112 |
| Reverse CAR of subsidiaries | 10 | | 10 |
| Reverse subordinated notes (including accrued interest) | (3 579) | | (3 579) |
| Reverse inadmissible assets | 584 | (3) | 581 |
| Frank Financial Services allowance for future expenses | (100) | | (100) |
| Impact of discounting on deferred tax asset | | (100) | (100) |
| BEE preference funding | 322 | | 322 |
| Allowance for employee share options/rights | (61) | (48) | (109) |
| Normalised net worth | 12 761 | 2 328 | 15 089 |
| Value of in-force – Individual Arrangements[(1)] | 21 521 | | 21 521 |
| Value of in-force – Group Arrangements: Liberty Corporate | 2 504 | | 2 504 |
| Cost of required capital | (1 518) | | (1 518) |
| Fair value adjustment – STANLIB South Africa[(2)] | | 5 454 | 5 454 |
| Fair value adjustment – STANLIB Other Africa[(2)] | | 371 | 371 |
| Allowance for future shareholder costs | | (1 786) | (1 786) |
| Normalised equity value | 35 268 | 6 367 | 41 635 |

(1) *Includes property liquidity fee.*

(2) ***STANLIB total valuation:***

| | *Rm* |
|---|---|
| *South Africa* | *6 000* |
| *Other Africa* | *630* |
| *Total* | *6 630* |

# Group equity value report (continued)

for the year ended 31 December 2016

## 4 Normalised group equity value (continued)

### 4.2 *Normalised group equity value earnings and value per share*

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| **Rm (Audited)** | **SA covered business** | **Other businesses** | **Total** | SA covered business | Other businesses | Total |
| Normalised equity value at the end of the year | **34 470** | **6 751** | **41 221** | 35 268 | 6 367 | 41 635 |
| Equity value at the end of the year | **34 322** | **6 421** | **40 743** | 34 946 | 6 367 | 41 313 |
| Liberty Two Degrees normalisation adjustment[1] | | **330** | **330** | | | |
| BEE preference shares | **148** | | **148** | 322 | | 322 |
| Net share buy-backs | | **477** | **477** | | 444 | 444 |
| Funding of restricted share plan | **92** | **(92)** | | 112 | (112) | |
| Intragroup dividends | **3 500** | **(3 500)** | | 2 250 | (2 250) | |
| Dividends paid | | **2 024** | **2 024** | | 1 876 | 1 876 |
| Normalised equity value at the beginning of the year | **(35 268)** | **(6 367)** | **(41 635)** | (33 562) | (6 273) | (39 835) |
| Equity value at the beginning of the year | **(34 946)** | **(6 367)** | **(41 313)** | (30 564) | (8 653) | (39 217) |
| Change in measurement basis: recurring shareholder expenses | | | | (1 315) | 1 480 | 165 |
| Change in measurement basis: LibFin Credit | | | | (876) | 900 | 24 |
| BEE preference shares | **(322)** | | **(322)** | (807) | | (807) |
| **Normalised equity value earnings** | **2 794** | **(707)** | **2 087** | 4 068 | 52 | 4 120 |
| **Normalised return on group equity value (%)** | **7,9** | **(11,8)** | **5,1** | 12,2 | 0,9 | 10,5 |
| Normalised number of shares | | | **282 615** | | | 285 259 |
| Number of shares in issue (000s) | | | **272 247** | | | 270 371 |
| Shares held for the employee restricted share scheme (000s) | | | **3 794** | | | 3 780 |
| Adjustment for BEE shares (000s) | | | **6 574** | | | 11 108 |
| **Normalised group equity value per share (R)** | | | **145,86** | | | 145,96 |

[1] *Represents the difference between Libertys' share of the net asset value of L2D as at 31 December 2016 and the listed price of L2D units multiplied by the number of units in issue to Liberty at 31 December 2016.*

# Group equity value report (continued)

for the year ended 31 December 2016

## 4 Normalised group equity value (continued)

### 4.3 *Sources of normalised group equity value earnings*

| Rm (Audited) | 2016 SA covered business | 2016 Other businesses | 2016 Total | 2015 SA covered business | 2015 Other businesses | 2015 Total |
|---|---|---|---|---|---|---|
| Value of new business written in the year | **454** | **29** | **483** | 684 | 45 | 729 |
| Expected return on value of in-force business | **2 997** | | **2 997** | 2 538 | | 2 538 |
| Variances/changes in operating assumptions | **43** | **12** | **55** | 756 | (129) | 627 |
| Operating experience variances | **477** | **76** | **553** | 582 | 25 | 607 |
| Property portfolio liquidity fee/STANLIB REIT Fund Managers[1] | **(167)** | **240** | **73** | 182 | | 182 |
| Operating assumption changes | **(295)** | **(304)** | **(599)** | (111) | (154) | (265) |
| Changes in modelling methodology | **28** | | **28** | 103 | | 103 |
| Development costs | **(45)** | **(62)** | **(107)** | | (41) | (41) |
| Headline earnings of other businesses | | **185** | **185** | | 635 | 635 |
| Operational equity value profits | **3 449** | **164** | **3 613** | 3 978 | 510 | 4 488 |
| Non headline earnings adjustments | | | | (71) | (22) | (93) |
| Economic adjustments | **(683)** | **(67)** | **(750)** | 86 | (231) | (145) |
| Investment return on net worth | **153** | **(67)** | **86** | 927 | (231) | 696 |
| Investment variances[2] | **(963)** | | **(963)** | 37 | | 37 |
| Change in economic assumptions | **127** | | **127** | (878) | | (878) |
| (Decrease)/increase in fair value adjustments on value of other businesses | | **(825)** | **(825)** | | (251) | (251) |
| Change in allowance for share options/rights | **28** | **21** | **49** | 75 | 46 | 121 |
| Group equity value earnings | **2 794** | **(707)** | **2 087** | 4 068 | 52 | 4 120 |

[1] *Following the listing of Liberty Two Degrees in December 2016, STANLIB REIT Fund Managers (RF) Proprietary Limited (the Manager), a 100% held subsidiary of LHL, was appointed as the Manager of L2D. The property portfolio liquidity fee which was previously earned in Liberty Group Limited will be used to fund the asset management fee paid to STANLIB REIT Fund Managers. STANLIB REIT Fund Managers has been valued using a 10 times multiple of the estimated sustainable earnings.*

[2] *Includes effect of R178 million (2015: negative R133 million) in respect of change in fair value of cash flow hedges supporting LibFin Credit.*

# Group equity value report (continued)

for the year ended 31 December 2016

## 4 Normalised group equity value (continued)

### 4.4 *Analysis of value of long-term insurance new business and margins*

| Rm (unless otherwise stated) (Audited) | 2016 | 2015 |
|---|---|---|
| **South African covered business:** | | |
| Individual Arrangements | 1 652 | 1 761 |
| Traditional Life | 1 306 | 1 463[1] |
| Direct Channel | 96 | 54 |
| Credit Life | 86 | 71 |
| LibFin Credit uplift to Individual Arrangements | 164 | 173 |
| Group Arrangements: Liberty Corporate | 131 | 134 |
| Traditional Business | 113 | 117 |
| LibFin Credit uplift to Group Arrangements | 18 | 17 |
| Gross value of new business | 1 783 | 1 895 |
| Overhead acquisition (including underwriting) costs impact on value of new business | (1 243) | (1 116) |
| Cost of required capital | (86) | (95) |
| Net value of South African covered new business | 454 | 684 |
| Present value of future expected premiums | 42 370 | 38 886 |
| Margin (%) | 1,1 | 1,8 |
| Group Arrangements: Liberty Africa Insurance | | |
| Net value of new business | 29 | 45 |
| Present value of future expected premiums | 519 | 679 |
| Margin (%) | 5,6 | 6,6 |
| **Total group net value of new business** | 483 | 729 |
| **Total group margin (%)** | 1,1 | 1,8 |

[1] *2015 Traditional Life new business includes R71 million relating to Direct Channel new business, the equivalent of which has been included under Direct Channel new business in 2016.*

# Long-term insurance new business

for the year ended 31 December 2016

| Rm (Unaudited) | 2016 | 2015 |
|---|---|---|
| **Sources of insurance operations total new business by product type** | | |
| Retail | **27 435** | 25 790 |
| Single | **22 916** | 21 392 |
| Recurring | **4 519** | 4 398 |
| Institutional | **2 296** | 2 114 |
| Single | **1 350** | 1 262 |
| Recurring | **946** | 852 |
| Total new business | **29 731** | 27 904 |
| Single | **24 266** | 22 654 |
| Recurring | **5 465** | 5 250 |
| **Insurance indexed new business** | **7 892** | 7 515 |
| Sources of insurance indexed new business: | | |
| Individual Arrangements | **6 639** | 6 421 |
| Group Arrangements: | **1 253** | 1 094 |
| Liberty Corporate | **842** | 790 |
| Liberty Africa Insurance[1] | **411** | 304 |

[1] *Liberty owns less than 100% of certain entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

# Long-term insurance net cash flows

for the year ended 31 December 2016

| Rm (Audited) | 2016 | 2015 |
|---|---|---|
| **Net premiums by product type** | | |
| Retail | **43 150** | 40 532 |
| Single | **22 522** | 21 146 |
| Recurring | **20 628** | 19 386 |
| Institutional | **11 889** | 12 139 |
| Single | **3 170** | 3 915 |
| Recurring | **8 719** | 8 224 |
| **Net premium income from insurance contracts and inflows from investment contracts** | **55 039** | 52 671 |
| Single | **25 692** | 25 061 |
| Recurring | **29 347** | 27 610 |
| **Net claims and policyholders benefits by product type** | | |
| Retail | **(40 924)** | (33 917) |
| Death and disability claims | **(6 570)** | (5 947) |
| Policy surrender and maturity claims | **(28 870)** | (22 682) |
| Annuity payments | **(5 484)** | (5 288) |
| Institutional | **(12 996)** | (13 352) |
| Death and disability claims[3] | **(1 912)** | (2 305) |
| Scheme terminations and member withdrawals[3] | **(10 280)** | (10 358) |
| Annuity payments | **(804)** | (689) |
| **Net claims and policyholders benefits** | **(53 920)** | (47 269) |
| **Long-term insurance net cash flows[2]** | **1 119** | 5 402 |
| **Rm (Unaudited)** | | |
| Sources of insurance operations net cash flows: | | |
| Individual Arrangements | **1 948** | 6 288 |
| Group Arrangements: | **(268)** | (496) |
| Liberty Corporate | **(751)** | (891) |
| Liberty Africa Insurance[1] | **483** | 395 |
| Asset Management: | | |
| STANLIB Multi-manager | **(561)** | (390) |

[1] *Liberty owns less than 100% of certain of the entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

[2] *This excludes net cash inflows attributed to the off balance sheet GateWay LISP of R557 million (2015: R1 502 million).*

[3] *2015 death and disability claims include R530 million claims relating to STANLIB Multi-Manager, the equivalent of which have been included under scheme terminations and member withdrawals in 2016.*

# Assets under management(1)

as at 31 December 2016

| Rbn (Unaudited) | 2016 | 2015 |
|---|---|---|
| Managed by group business units | **653** | 641 |
| STANLIB South Africa | **535** | 529 |
| STANLIB Other Africa(2) | **51** | 50 |
| LibFin Markets | **58** | 50 |
| Other internal managers | **9** | 12 |
| Externally managed | **23** | 27 |
| **Total assets under management(3)** | **676** | 668 |

(1) *Includes funds under administration.*
(2) *Liberty owns less than 100% of certain of the entities that make up Stanlib Other Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*
(3) *Included in total assets under management are the following LISP December 2016 amounts:*

*Unit trusts listed (Rbn)*

| | STANLIB managed | Other managed | Total |
|---|---|---|---|
| *STANLIB* | ***36*** | ***72*** | ***108*** |
| *Gateway* | ***3*** | ***4*** | ***7*** |

# Asset management net cash flows – STANLIB(1)

for the year ended 31 December 2016

| Rm (Unaudited) | 2016 | 2015 |
|---|---|---|
| **South Africa** | | |
| Non-money market | **764** | 6 366 |
| Retail | **(2 327)** | 8 511 |
| Institutional | **3 091** | (2 145) |
| Money market | **2 037** | (672) |
| Retail | **1 007** | (1 413) |
| Institutional | **1 030** | 741 |
| **Net South Africa cash inflows** | **2 801** | 5 694 |
| **Other Africa(2)** | | |
| Non-money market | **3 724** | 977 |
| Retail | **(422)** | (62) |
| Institutional | **4 146** | 1 039 |
| Money market | **(761)** | 1 783 |
| **Net Other Africa cash inflows** | **2 963** | 2 760 |
| **Net cash inflows from asset management** | **5 764** | 8 454 |

(1) *Cash flows exclude intergroup segregated life fund mandates and Delta LISP with effect from June 2016.*
(2) *Liberty owns less than 100% of certain of the entities that make up STANLIB Other Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

# Short-term insurance indicators

for the year ended 31 December 2016

| Rm (Audited) | 2016 | 2015 |
|---|---|---|
| Net premiums | 1 484 | 1 249 |
| Liberty Health – medical risk | 919 | 778 |
| Liberty Africa Insurance – motor, property, medical and other | 565 | 471 |
| Net claims | (994) | (771) |
| Liberty Health – medical risk | (743) | (554) |
| Liberty Africa Insurance – motor, property, medical and other | (251) | (217) |
| **Net cash inflows from short-term insurance** | 490 | 478 |
| **Unaudited** | | |
| **Claims loss ratio (%)** | | |
| Liberty Health | 77 | 71 |
| Liberty Africa Insurance | 44 | 46 |
| **Combined loss ratio (%)** | | |
| Liberty Health | 104 | 101 |
| Liberty Africa Insurance | 94 | 97 |

# Capital commitments

as at 31 December 2016

| Rm (Audited) | 2016 | 2015 |
|---|---|---|
| Equipment | 823 | 401 |
| Investment and owner-occupied properties | 1 485 | 1 495 |
| Business acquisitions | | 45 |
| Committed capital[1] | 636 | 197 |
| Total capital commitments | 2 944 | 2 138 |
| Under contracts | 657 | 903 |
| Authorised by the directors but not contracted | 2 287 | 1 235 |

[1] *Liberty has committed capital to certain infrastructure and development funds. The committed funds are only drawn down when required.*

The above 2016 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds, R60 million (2015: R255 million) from non-controlling interests in unincorporated property partnerships in respect of investment properties and in 2016, R300 million from non-controlling interests in Liberty Two Degrees.

## Business acquisition

Liberty has entered into agreements that will result in acquiring 75% of ownership in a Nigerian long-term insurer through an injection of capital of R160 million. The transaction is subject to certain regulatory approvals. The impact of this transaction is not expected to have a significant impact on the group's results.

# Corporate actions

for the year ended 31 December 2016

## Audited

### *Liberty Two Degrees*

In order to improve policyholder investment options and to provide access to Liberty's prestige direct property portfolio to non policyholder investors, a portion of the Liberty Property Portfolio (LPP) and Liberty PropCo Proprietary Limited (Liberty PropCo – which owned 25% undivided share in the Melrose Arch precinct in Johannesburg) was sold into a Real Estate Investment Trust named Liberty Two Degrees (L2D).

L2D was successfully listed on the JSE on 6 December 2016. A summary of the transactions leading to the listing are as follows:

- LGL and Liberty PropCo sold 22% undivided shares in certain properties in LPP and the Melrose Arch precinct for 626 315 789 units (526 315 789 units priced at R9,50 per unit and 100 000 000 units priced at R10 per unit) in L2D for a total of R6 billion. In addition LGL subscribed for 82 127 545 units priced at R9,50 per unit totalling R780 million.
- 315 789 474 units (R3 billion) were allocated to a new investment portfolio, Liberty Real Estate Portfolio (LREP) to match obligations to policyholders who voluntarily switched to this portfolio.
- 82 127 545 units (R780 million) were allocated to LREP to match obligations to policyholders who entered into new policies of insurance as part of a pre-listing offer.
- The balance of 210 526 316 units priced at R9,50 per unit and 100 000 000 units priced at R10 per unit (totalling R3 billion) were invested in the Shareholder Investment Portfolio of which R1 billion was sold to external investors on the listing day, at the market listing price of R10 per unit.
- In addition, on listing, external investors subscribed for 200 000 000 units at R10 per unit, totalling R2 billion.

Liberty is currently the most significant investor in L2D, with 67% economic interest as at 31 December 2016. STANLIB REIT Fund Managers (RF) Proprietary Limited (the Manager), a 100% held subsidiary of Liberty Holdings Limited (LHL), was appointed as manager of L2D. The Manager was also appointed as the asset manager of LGL's remaining interest in the LPP.

On application of IFRS 10 *Consolidated Financial Statements* L2D is consolidated by LHL.

LHL continues to disclose all of the previously directly owned properties (prior to the listing of L2D), however with an increase in external investors (disclosed as non-controlling interests). Any transactions between external investors and LGL are regarded as transactions between owners.

Certain insurance contracts in LGL have returns which are contractually linked to the L2D units that are measured at fair value (as defined under IFRS 13 *Fair Value Measurement*). The obligation to the policyholder depends on the performance of the underlying units. To match the obligations of the insurance policies, LGL has invested in the L2D units.

### Earnings volatility on consolidation of L2D

An accounting mismatch arises on consolidation of L2D as a result of the different measurement bases required to be applied in the Liberty Holdings Limited group annual financial statements for L2D assets and for the corresponding LGL policyholder liabilities. Specifically:

- the investment property assets of L2D are included in the Liberty Holdings group annual financial statements at fair value; whereas
- the corresponding obligations to LGL's policyholders in respect of the REIT units are required under IFRS to continue to be measured in the Liberty Holdings Limited group annual financial statements at the listed price of the L2D units.

The result of this accounting mismatch is that any increase in the premium at which L2D's listed units trade relative to the underlying net asset value (based on the underlying fair value of the properties) of L2D, will result in a reported loss in the Liberty Holdings Limited group annual financial statements.

### Presentation of normalised earnings

For the year ended 31 December 2016, an adjustment of R304 million has been recognised under normalised earnings to reverse the accounting mismatch arising on consolidation of listed REIT, net of tax. The normalised adjustment relates only to the accounting mismatch arising from the policyholder insurance contract obligations linked to L2D units on consolidation.

# Retirement benefit obligations

as at 31 December 2016

## Audited

### Post-retirement medical benefit

The group operates an unfunded post-retirement medical aid benefit for permanent employees who joined the group prior to 1 February 1999 and agency staff who joined prior to 1 March 2005.

As at 31 December 2016, the Liberty post-retirement medical aid benefit liability was R493 million (31 December 2015: R480 million).

### Defined benefit retirement funds

The group operates a number of defined benefit pension schemes on behalf of employees. All these funds are closed to new membership and are well funded with no deficits reported.

# Related parties

for the year ended 31 December 2016

## Audited

Standard Bank Group Limited and any subsidiary (excluding Liberty) is referred to as Standard Bank in the context of this section.

The following selected significant related party transactions have occurred or have been contracted in the 31 December 2016 financial year:

### 1. *Summary of related party transactions with Standard Bank*

#### 1.1 Summary of movement in investment in ordinary shares held by the group in the group's holding company is as follows:

| | Number '000 | Fair value Rm | Ownership % |
|---|---|---|---|
| **Standard Bank Group Limited** | | | |
| Balance at 1 January 2016 | **10 501** | **1 192** | **0,66** |
| Purchases | **6 926** | **918** | |
| Sales | **(7 855)** | **(1 083)** | |
| Fair value adjustments | | **427** | |
| **Balance at 31 December 2016** | **9 572** | **1 454** | **0,60** |

#### 1.2 Bancassurance

The bancassurance business agreements with the Standard Bank group caters for the manufacture, sale and promotion of insurance, investment and health products through the Standard Bank's African distribution capability. New business premium income in respect of this business in 2016 amounted to R7 973 million (2015: R7 503 million). In terms of the agreements, Liberty's group subsidiaries pay profit shares to various Standard Bank operations. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines. The total combined net profit share amounts accrued as payable to the Standard Bank group for the year to 31 December 2016 is R1 005 million (2015: R896 million).

The bancassurance business agreements are evergreen agreements with a 24-month notice period for termination – as at the date of the approval of these financial statements, neither party had given notice.

A binder agreement was entered into with Standard Bank effective from 31 December 2012. The binder agreement is associated with the administration of policies sold under the bancassurance business agreement, and shall remain in force for an indefinite period with a 90-day notice period for termination. Fees accrued for the year to 31 December 2016 is R150 million (2015: R110 million).

#### 1.3 Purchases and sales of financial instruments

As per Liberty's 2016 group annual financial statements, in the normal course of conducting business, Liberty deposits cash with Standard Bank, purchases and sells financial instruments issued by Standard Bank and enters into sale and repurchase agreements and derivative transactions with Standard Bank. These transactions are at arm's length and are primarily used to support investment portfolios for policyholders and shareholders' capital.

There are no other significant changes to related party transactions as reported in Liberty's 2016 annual financial statements.

# Offsetting, enforceable master netting arrangements or similar agreements

as at 31 December 2016

The group does not have any financial assets or financial liabilities that are currently subject to offsetting in accordance with IAS 32 *Financial Instruments: Presentation*. The table below sets out the nature of agreements and the types of rights relating to items which do not qualify for offset but that are subject to a master netting arrangement (MNA) or similar agreement.

| | NATURE OF AGREEMENT | RELATED RIGHTS |
|---|---|---|
| **Derivative assets and liabilities** | International swaps and derivatives associations | The agreement allows for offset in the event of default |
| **Repurchase agreements** | Global master repurchase agreements | |
| **Collateral deposits payable** | Global master securities lending arrangements | |

| Rm (Audited) | Total | Not subject to MNA or similar agreements | Subject to MNA or similar agreements | Financial collateral | Net |
|---|---|---|---|---|---|
| **2016** | | | | | |
| Assets | | | | | |
| Assets held for trading and for hedging | **8 609** | **(595)** | **8 014** | **(6 532)** | **1 482** |
| **Total assets** | **8 609** | **(595)** | **8 014** | **(6 532)** | **1 482** |
| Liabilities | | | | | |
| Liabilities held for trading and for hedging | **6 798** | **(49)** | **6 749** | **(6 532)** | **217** |
| Repurchase agreements liabilities | **7 064** | | **7 064** | **(7 064)** | |
| Collateral deposits payable | **4 684** | | **4 684** | **(4 684)** | |
| **Total liabilities** | **18 546** | **(49)** | **18 497** | **(18 280)** | **217** |
| 2015 | | | | | |
| Assets | | | | | |
| Assets held for trading and for hedging | 11 890 | (163) | 11 727 | (9 979) | 1 748 |
| Total assets | 11 890 | (163) | 11 727 | (9 979) | 1 748 |
| Liabilities | | | | | |
| Liabilities held for trading and for hedging | 11 125 | (143) | 10 982 | (9 979) | 1 003 |
| Repurchase agreements liabilities | 10 239 | | 10 239 | (10 233) | 6 |
| Collateral deposits payable | 5 920 | | 5 920 | (5 920) | |
| Total liabilities | 27 284 | (143) | 27 141 | (26 132) | 1 009 |

Financial collateral relates to these instruments that are subject to MNA or similar agreements.

# Notes