



LIBERTY

Liberty Holdings Limited
Supplementary
information

2016

For the year ended 31 December

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Analysis of ordinary shareholders' equity

for the year ended 31 December 2016

Rm	Group funds invested		Contribution to earnings	
	2016	2015	2016	2015
South African insurance	18 505	19 263	2 415	3 704
Insurance operating surplus			1 663	2 487
Present value of in-force business	17	30	(13)	(44)
Investment portfolios	14 686	14 427	703	1 144
Fixed assets and working capital ⁽¹⁾	8 302	8 306	293	326
Subordinated notes (excluding accrued interest)	(4 500)	(3 500)	(231)	(209)
Other insurance	1 212	1 109	(42)	(15)
Liberty Africa Insurance	808	736	41	25
Growth initiatives			(38)	(21)
Liberty Health	404	373	(45)	(19)
Asset Management	881	805	362	629
STANLIB South Africa	777	546	459	567
STANLIB Other Africa	104	259	(97)	62
Central overheads and sundry income			(222)	(214)
Liberty Holdings Limited	1 408	562		
Liberty Two Degrees normalisation adjustment	(330)⁽²⁾		(304)⁽³⁾	
Preference share dividend			(2)	(2)
Headline earnings			2 207	4 102
Preference share dividend			2	2
Impairment of intangible assets				(93)
Liberty Holdings shareholders' equity/total earnings	21 676	21 739	2 209	4 011
Normalised:				
Liberty Holdings shareholders' equity/headline earnings	21 676	21 739	2 207	4 102
BEE preference shares	148	322	16	26
Liberty Two Degrees normalisation adjustment	330⁽²⁾		304⁽³⁾	
Normalised shareholders' equity/headline earnings	22 154	22 061	2 527	4 128

⁽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 issue. Inter-divisional interest is charged at 8,77% nacm.

⁽²⁾ 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.

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

Analysis of group earnings – core earnings

for the year ended 31 December 2016

Rm	2016	2015
Individual Arrangements planned margin release including annual contribution increases	1 805	1 908
Individual Arrangements credit life	160	147
Individual Arrangements VIF amortisation	(12)	(44)
LibFin Markets	318	260
Expected long-term rate of return on Shareholder Investment Portfolio ⁽¹⁾	1 485	1 379
Other businesses headline earnings	303	572
Group Arrangements	149	204
Liberty Corporate	191	219
Liberty Africa Insurance	41	25
Liberty Health	(45)	(19)
Growth initiatives	(38)	(21)
Asset Management	362	629
STANLIB South Africa	459	567
STANLIB Other Africa	(97)	62
Central overheads and sundry income	(208)	(261)
Centre overheads and sundry income	(224)	(287)
BEE preference share income	16	26
Core operating earnings	4 059	4 222
Individual Arrangements new business strain	(611)	(392)
Individual Arrangements operating variances, assumption changes and other	(223)	250
Sundry income strategic investment return		71
Adjusted core operating earnings	3 225	4 151
Variance to long-term rate of return on Shareholder Investment Portfolio	(698)	(23)
Normalised headline earnings	2 527	4 128

⁽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.

Summary of BEE transaction status

as at 31 December 2016

	Safika Holdings (Pty) Limited	Shanduka Group (Pty) Limited	The Black Managers' Trust	The Liberty Community Trust	Total
Number of shares ('000)					
Balance at date of trading restrictions lifted	6 191	4 127	10 319	5 159	25 796
Shares traded or transferred to participant on settlement of proportional debt	(6 191)		(8 498)		(14 689)
Balance at 31 December 2015		4 127	1 821	5 159	11 107
Shares traded or transferred to participant on settlement of proportional debt		(4 127)	(406)		(4 533)
Balance at 31 December 2016			1 415	5 159	6 574
Preference share debt (Rm)					
Balance at date of trading restrictions lifted	191	127	324	165	807
Shares traded or transferred to participant on settlement of proportional debt	(191)	(20)	(274)		(485)
Balance at 31 December 2015		107	50	165	322
Shares traded or transferred to participant on settlement of proportional debt		(107)	(19)	(48)	(174)
Balance at 31 December 2016			31	117	148

Liberty's 100% held subsidiary, Liberty Group Limited, entered into a series of transactions during 2004 whereby an investment in aggregate of R1 251 million was made in cumulative redeemable preference shares. The proceeds of this were used by the BEE entities to purchase Liberty Group Limited shares. On 1 December 2008, in terms of a Companies Act section 311 transaction to remove Liberty Holdings' control structure, each BEE entity accepted an exchange of Liberty Holdings Limited ordinary shares for Liberty Group Limited shares on a one for one basis.

The cumulative redeemable preference shares attract dividends at 67% (with effect from 1 March 2008) of Standard Bank's prime lending rate. The preference dividends are payable on each date the company (which has issued the preference shares) receives an ordinary dividend from Liberty Holdings Limited.

The preference shares do not meet the definition of a financial asset in terms of International Financial Reporting Standards and therefore the investment value of the preference shares has reduced group equity and is stated in the analysis of group equity as a negative empowerment reserve. Receipt of preference share redemptions and dividends are credited directly to reserves.

With effect from 1 January 2015 the trading restrictions on the underlying Liberty Holdings Shares securing the cumulative redeemable preference shares were lifted. If however, part or all these shares are traded, any related outstanding preference share liability would need to be settled from the proceeds.

Reconciliation of business unit earnings to segment result

for the year ended 31 December 2016

Business unit (Rm)	Individual Arrangements	Group Arrangements	Asset Management	Other	Total
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			362		362
STANLIB South Africa			459		459
STANLIB Other 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

Reconciliation of business unit earnings to segment result

(continued)

for the year ended 31 December 2016

Business unit (Rm)	Individual Arrangements	Group Arrangements	Asset Management	Other	Total	Allocated recurring shareholder expenses ⁽¹⁾	Adjusted total ⁽¹⁾
2015							
Individual Arrangements	1 869				1 869	(119)	1 750
Group Arrangements		225		(21)	204	(26)	178
Liberty Corporate		219			219	(26)	193
Liberty Africa Insurance		25			25		25
Growth initiatives				(21)	(21)		(21)
Liberty Health		(19)			(19)		(19)
LibFin (Markets and Investments)	63	83		1 470	1 616		1 616
LibFin Markets - credit portfolio	176	84			260		260
LibFin Markets - asset/liability matching	(4)	4					
LibFin Investments - SIP	(109)	(5)		1 470	1 356		1 356
Asset Management			629		629		629
STANLIB South Africa			567		567		567
STANLIB Other Africa			62		62		62
Central overheads and sundry income	(191)	(26)		27	(190)	145	(45)
Normalised headline earnings	1 741	282	629	1 476	4 128		4 128
Preference share dividend				2	2		2
Impairment of intangible assets	(51)	(21)		(21)	(93)		(93)
Net income earned on BEE preference shares				(26)	(26)		(26)
Earnings attributable to shareholders' equity	1 690	261	629	1 431	4 011		4 011

⁽¹⁾ The allocation of recurring shareholder expenses is provided to indicate what the business unit earnings would be for 2016, on this basis.

South African covered business embedded value

for the year ended 31 December 2016

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 options/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.

Change in measurement basis relating to LibFin Credit and certain shareholder recurring costs

The change in measurement basis of LibFin Credit and certain shareholder recurring costs is explained in section 2 of the group equity value report. These changes were adopted with effect from 1 January 2015 and hence appear as year open adjustments for the 2015 figures.

South African covered business embedded value (continued)

for the year ended 31 December 2016

2 Normalised embedded value

Rm (unless otherwise stated)	2016	2015
Risk discount rate % ^(a)	11,92	12,77
Net worth	11 717	12 761
Ordinary shareholders' funds on published basis	18 505	19 263
BEE preference share funding	148	322
Adjustment of ordinary shareholders' funds from published basis ^(b)	(6 786)	(6 633)
Adjustment for carrying value of in-force business acquired ^(c)	(17)	(30)
Allowance for fair value of share option/rights	(33)	(61)
Frank Financial Services allowance for future expenses	(100)	(100)
Net value of life business in-force	22 753	22 507
Value of life business in-force	24 394	24 025
Cost of required capital	(1 641)	(1 518)
Normalised embedded value	34 470	35 268
3 Normalised embedded value earnings		
Embedded value at the end of the year	34 470	35 268
Less change in measurement basis: LibFin Credit		(876)
Less change in measurement basis: recurring shareholder expenses		(1 315)
Funding of restricted share plan	92	112
Intragroup dividends	3 500	2 250
Less embedded value at the beginning of the year	(35 268)	(31 371)
Embedded value earnings	2 794	4 068
Return on embedded value (%)	7,9	12,2



South African covered business embedded value (continued)

for the year ended 31 December 2016

4 Analysis of normalised embedded value earnings

Rm	2016				2015			
	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
Embedded value at the end of the year	11 717	24 394	(1 641)	34 470	12 761	24 025	(1 518)	35 268
Plus dividends paid	3 500			3 500	2 250			2 250
Plus funding of restricted share plan	92			92	112			112
Less change in measurement basis: LibFin Credit					170	(1 046)		(876)
Less change in measurement basis: recurring shareholder expenses					251	(1 566)		(1 315)
Embedded value at the beginning of the year	(12 761)	(24 025)	1 518	(35 268)	(11 838)	(20 989)	1 456	(31 371)
Embedded value earnings	2 548	369	(123)	2 794	3 706	424	(62)	4 068
Components of embedded value earnings								
Value of new business written in the year	(1 661)	2 201	(86)	454	(1 521)	2 300	(95)	684
Expected return on value of in-force business ^(d)		2 961	36	2 997		2 523	15	2 538
Expected net of tax profit transfer to net worth	4 217	(4 217)			3 825	(3 825)		
Operating experience variances ^(e)	450	15	12	477	341	239	2	582
Operating assumption changes ^(f)	(160)	(39)	(96)	(295)	40	(151)		(111)
Changes in modelling methodology ^(g)	(22)	32	18	28	(19)	118	4	103
Property portfolio liquidity fee variance	(4)	(163)		(167)	14	168		182
Development expenses	(45)			(45)				
Embedded value earnings from operations	2 775	790	(116)	3 449	2 680	1 372	(74)	3 978
Economic adjustments	(255)	(421)	(7)	(683)	951	(948)	12	15
Investment return on net worth ^(h)	153			153	856			856
Investment variances ⁽ⁱ⁾	(164)	(799)		(963)	67	(30)		37
Changes in economic assumptions ^(j)	(244)	378	(7)	127	28	(918)	12	(878)
Change in allowance for fair value of share options/rights ^(k)	28			28	75			75
Normalised embedded value earnings	2 548	369	(123)	2 794	3 706	424	(62)	4 068

South African covered business embedded value (continued)

for the year ended 31 December 2016

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.	
	2016	2015
Government stock	9,12	9,97
Equities	12,62	13,47
Property	10,12	10,97
Cash	7,62	8,47
The risk discount rate has been set equal to the risk free rate plus 80% of the equity risk premium	11,92	12,77
Maintenance expense inflation rate	7,37	6,97

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 2016 adjustment was R17 million (2015: R30 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 year 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 year ended 31 December 2016

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 operating experience variances of R477 million (2015: R582 million) comprised:

Rm	Net worth	Value of in-force covered business	Cost of required capital	Embedded value
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	98	25		123
Credit portfolio variance	150			150
Other			12	12
Total	450	15	12	477
2015				
Individual Arrangements	(24)	213		189
Mortality and morbidity	60	70		130
Policyholder behaviour	(41)	184		143
Other, including tax variances	(43)	(41)		(84)
Group Arrangements	67	26		93
Credit portfolio variance	161			161
Short-term incentives outperformance	(60)			(60)
Cash settled incentives linked to share price	(4)			(4)
Other, mainly release of tax over-provisions	201		2	203
Total	341	239	2	582

South African covered business embedded value (continued)

for the year ended 31 December 2016

Notes to embedded value (continued)

- f) The amount of negative R295 million (2015: negative R111 million) is mainly due to the establishment of a product life cycle provision, together with the associated VIF impairment, and the effect of the change in the capital gains tax inclusion rate on the cost of required capital (negative R96 million). The product life cycle provision is intended to anticipate possible future negative market, industry, and regulatory financial impacts on legacy products (negative R162 million).
- g) The amount of R28 million (2015: R103 million) comprises a number of changes, including moving the valuation basis of pure risk products from a single point estimate to a full yield curve.
- h) Reconciliation of embedded value investment return on net worth to LibFin Investments earnings:

Rm	2016	2015
LibFin Investments	787	1 356
Adjustments for differences between the statutory and published bases	(527)	(327)
90:10 book	(5)	(275)
Frank Financial Services	(28)	(119)
Bancassurance obligations relating to Liberty Africa and STANLIB	(39)	(21)
Software asset impairment		(44)
BEE preference share scheme	21	35
Central treasury investments	19	121
Other	(75)	130
Investment return on net worth	153	856

- i) Includes the effect of R178 million (2015: negative R133 million) in respect of the change in the fair value of cash flow hedges supporting LibFin Credit.
- j) The amount of R127 million (2015: negative R878 million) relates to changes in economic assumptions as described in note a), and includes the increase in the expense inflation assumption to 1,75 percentage points below that of government stock.
- k) The amount of R28 million (2015: R75 million) in respect of the change in the fair value of share options/rights arises from the change in the number of share options/rights for staff employed by Liberty Group Limited and the change in the market value of Liberty Holdings Limited share price over the reporting year.

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.

South African covered business embedded value (continued)

for the year ended 31 December 2016

Sensitivity to risk discount rate and other assumptions

In order to indicate sensitivity to varying assumptions, the value of the in-force life business less cost of required capital and the value of the new business written for Liberty Group Limited are shown below for various changes in assumptions. The reserving basis has been kept constant and only future experience assumptions have been varied. Each value is shown with only the indicated parameter being changed.

Audited Rm	2016		2015	
	Value of in-force life business less cost of required capital at 31 December	Value of new business written in	Value of in-force life business less cost of required capital at 31 December	Value of new business written in
Base value	22 753	454	22 507	684
Value of in-force/new business	24 394	540	24 025	779
Cost of required capital	(1 641)	(86)	(1 518)	(95)
100 basis point increase in risk discount rate	21 125	330	21 012	533
Value of in-force/new business	23 127	436	22 873	649
Cost of required capital	(2 002)	(106)	(1 861)	(116)
100 basis point decrease in interest rate environment	23 051	545	22 722	760
Value of in-force/new business	24 710	629	24 242	856
Cost of required capital	(1 659)	(84)	(1 520)	(96)
10% fall in equity and property market values	22 188		21 986	
Value of in-force	23 829		23 504	
Cost of required capital	(1 641)		(1 518)	
100 basis point increase in equity and property returns	23 639	493	23 451	712
Value of in-force/new business	25 034	565	24 724	792
Cost of required capital	(1 395)	(72)	(1 273)	(80)
10% decrease in maintenance expenses	23 610	536	23 264	737
Value of in-force/new business	25 251	622	24 782	832
Cost of required capital	(1 641)	(86)	(1 518)	(95)
10% decrease in new business acquisition expenses (other than commissions)		595		797
Value of new business		681		892
Cost of required capital		(86)		(95)
10% decrease in withdrawal rates	24 061	661	23 890	849
Value of in-force/new business	25 702	747	25 408	944
Cost of required capital	(1 641)	(86)	(1 518)	(95)
5% improvement in mortality and morbidity for assurances	23 888	600	23 755	797
Value of in-force/new business	25 529	686	25 273	892
Cost of required capital	(1 641)	(86)	(1 518)	(95)
5% improvement in mortality for annuities	22 482	450	22 307	670
Value of in-force/new business	24 123	536	23 825	765
Cost of required capital	(1 641)	(86)	(1 518)	(95)

Bancassurance – Benefit to Liberty

as at 31 December 2016

Liberty share (Rm)	2016	2015
Credit Life		
IFRS headline earnings	160	147
Embedded value of in-force contracts	461	413
Other insurance products		
Embedded value of new business	53	69
Embedded value of in-force contracts	1 113	1 048
STANLIB		
Net service fees on assets under management sourced from Standard Bank distribution	406	351

90:10 Shareholder exposure

as at 31 December 2016

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	2016	2015
Exposure as at the beginning of the year	4 622	4 757
Expected earnings	364	309
Variance	(359)	(34)
Total net earnings	5	275

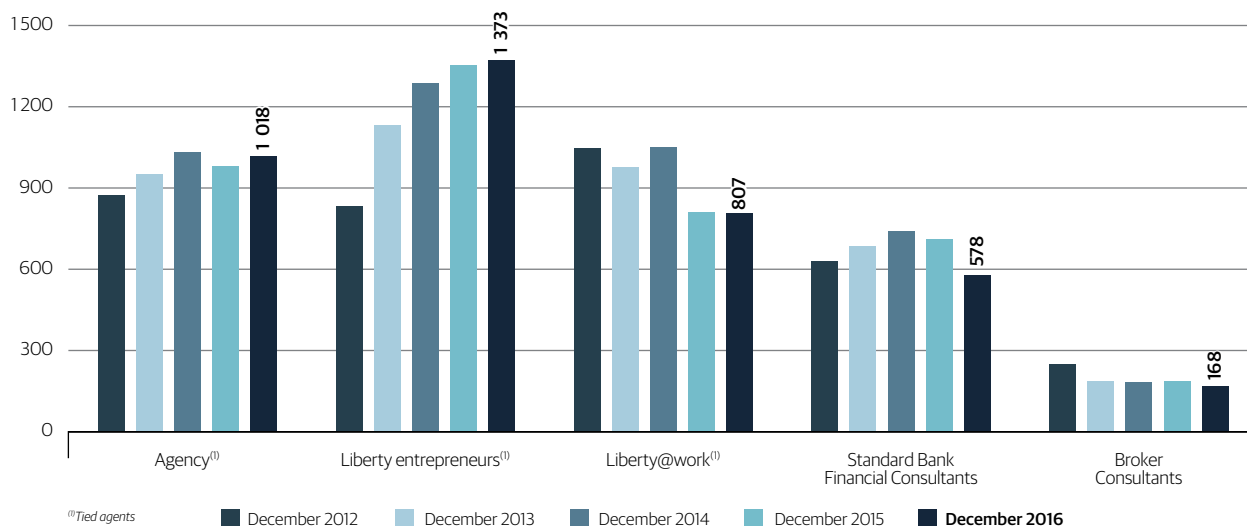
Long-term policyholder liabilities IFRS reconciliation

as at 31 December 2016

Rm	2016	Restated 2015
Policyholder liabilities at beginning of the year net of reinsurance	296 915	286 214
Policyholder liabilities	305 194	293 617
Reinsurance liabilities	617	406
Policyholder assets	(7 579)	(6 507)
Reinsurance assets	(1 317)	(1 302)
Transfers to policyholder liabilities	2 555	10 238
Net premium income from insurance contracts and inflows from investment contracts	55 039	52 671
Net insurance premiums	37 882	36 323
Fund inflows from investment contracts	17 157	16 348
Investment returns	17 457	21 677
Net claims and policyholder benefits	(53 920)	(47 269)
Net insurance claims	(37 220)	(31 256)
Fund outflows from investment contracts	(16 700)	(16 013)
Acquisition costs	(4 136)	(4 208)
Management expenses, finance costs and profit share allocations	(9 238)	(8 583)
Taxation	(1 058)	(1 779)
Operating profit from insurance operations	(1 589)	(2 271)
Foreign currency translation reserve	(351)	463
Policyholder liabilities at end of year net of reinsurance	299 119	296 915
Policyholder liabilities	307 230	305 194
Reinsurance liabilities	555	617
Policyholder assets	(7 314)	(7 579)
Reinsurance assets	(1 352)	(1 317)

South African insurance distribution headcount

as at 31 December 2016



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

for the year ended 31 December 2016

Rm	Recurring premiums		Single premiums		Total premiums		Indexed premiums	
	2016	2015	2016	2015	2016	2015	2016	2015
Retail	5 772	5 603	22 916	21 392	28 688	26 995	8 064	7 743
Broker	1 332	1 328	7 006	5 852	8 338	7 180	2 033	1 913
Bancassurance	2 483	2 344	5 451	5 243	7 934	7 587	3 028	2 869
Tied channels ⁽²⁾	1 726	1 701	10 170	9 928	11 896	11 629	2 743	2 694
Other	231	230	289	369	520	599	260	267
Institutional	946	852	1 350	1 262	2 296	2 114	1 081	978
Broker	525	438	754	602	1 279	1 040	600	499
Bancassurance	41	19		2	41	21	41	19
Tied channels ⁽²⁾	349	360	461	494	810	854	395	409
Other	31	35	135	164	166	199	45	51
Total new business	6 718	6 455	24 266	22 654	30 984	29 109	9 145	8 721
Split between:								
South Africa⁽¹⁾								
Individual Arrangements	5 609	5 493	22 830	21 334	28 439	26 827	7 892	7 627
Broker	1 330	1 328	7 006	5 852	8 336	7 180	2 031	1 913
Bancassurance	2 419	2 260	5 430	5 216	7 849	7 476	2 962	2 782
Tied channels ⁽²⁾	1 642	1 701	10 170	9 928	11 812	11 629	2 659	2 694
Other	218	204	224	338	442	542	240	238
Liberty Corporate	765	669	771	1 214	1 536	1 883	842	790
Broker	457	398	175	556	632	954	474	454
Bancassurance	38	13			38	13	38	13
Tied channels ⁽²⁾	270	258	461	494	731	752	316	307
Other			135	164	135	164	14	16
Total new business	6 374	6 162	23 601	22 548	29 975	28 710	8 734	8 417
Liberty Africa Insurance								
Retail	163	110	86	58	249	168	172	116
Broker	2				2		2	
Bancassurance	64	84	21	27	85	111	66	87
Tied channels ⁽²⁾	84				84		84	
Other	13	26	65	31	78	57	20	29
Institutional	181	183	579	48	760	231	239	188
Broker	68	40	579	46	647	86	126	45
Bancassurance	3	6		2	3	8	3	6
Tied channels ⁽²⁾	79	102			79	102	79	102
Other	31	35			31	35	31	35
Total new business	344	293	665	106	1 009	399	411	304

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

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

Total long-term insurance premiums

for the year ended 31 December 2016

Rm	Recurring premiums		Single premiums		Total premiums	
	2016	2015	2016	2015	2016	2015
Individual Arrangements	20 142	18 944	22 437	21 075	42 579	40 019
Liberty Corporate	8 281	7 810	2 294	3 707	10 575	11 517
Liberty Africa Insurance	924	856	685	139	1 609	995
STANLIB Multi-manager			276	140	276	140
Total premiums	29 347	27 610	25 692	25 061	55 039	52 671
Indexed premiums					31 916	30 117
Individual Arrangements					22 386	21 052
Liberty Corporate					8 510	8 181
Liberty Africa Insurance					992	870
STANLIB Multi-manager					28	14

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.

LibFin – Shareholder Investment Portfolio

as at 31 December 2016

Exposure category Rm	2016				2015			
	Local	Foreign	Total	%	Local	Foreign	Total ⁽¹⁾	%
Equities ⁽²⁾⁽³⁾	3 971	3 891	7 862	29	2 416	3 865	6 281	23
Bonds	6 016	289	6 305	23	5 775	242	6 017	22
Cash	6 779	457	7 236	27	6 406	966	7 372	27
Preference shares					604		604	2
Property ⁽³⁾	3 561		3 561	13	3 986		3 986	15
Other	1 613	570	2 183	8	2 921	204	3 125	11
Total	21 940	5 207	27 147	100	22 108	5 277	27 385	100
Assets backing capital			14 686	54			14 427	53
Assets backing life funds			8 319	31			8 336	30
90:10 exposure			4 142	15			4 622	17
Reconciliation to IFRS shareholders' equity								
Shareholder Investment Portfolio			27 147				27 385	
Less: 90:10 exposure			(4 142)				(4 622)	
Less: Subordinated notes			(4 500)				(3 500)	
SA insurance IFRS shareholder's equity			18 505				19 263	

⁽¹⁾ December 2015 restated from R26 035 million to R27 385 million to consolidate all shareholders' assets and exposures, including those held for short-term liquidity management.

⁽²⁾ Protection has been put into place on the portfolio's local equity exposure.

⁽³⁾ Listed property was reclassified from property to equity in 2016, based on refinements to the equity mandate.

LibFin – Shareholder Investment Portfolio return

as at 31 December 2016

Rm	2016	2015
Realised gross result	1 539	2 287
Taxation	(349)	(565)
Bond cost	(321)	(290)
Expenses (including asset management fees)	(82)	(76)
Net profit	787	1 356
Gross return (%)	5,7	9,6⁽¹⁾

⁽¹⁾ When calculated on the re-stated consolidated shareholder assets and exposures, including those held for short term liquidity management, this return amounts to 8,4%.

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 year ended 31 December 2016

Rm	2016	2015
Expected profit and premium escalations	2 020	2 080
Variiances, modelling and assumption changes	(341)	237
New business strain	(611)	(392)
Project, outperformance incentive and non cost per policy expenses	(106)	(112)
Direct Financial Services	(109)	(49)
Other	195	71
Release of tax provisions	16	10
Earnings before bancassurance	1 064	1 845
Liberty share of credit life bancassurance (net of all taxes)	160	147
Complex bancassurance preference dividend	(105)	(123)
Headline earnings	1 119	1 869

Individual Arrangements – Key performance indicators

as at 31 December 2016

Rm (unless otherwise stated)	2016	2015
Net customer cash flows	2 505	7 790
Insurance products	1 948	6 288
LISP	557	1 502
Gross sales (excluding LISP)	27 186	25 622
Indexed new business (excluding LISP)	6 639	6 421
Value of new business	426	654
Retail margin excluding STANLIB (%)	1,4	2,3
Retail new business margin including STANLIB (%)	1,2	2,0

Individual Arrangements – Indexed new business

as at 31 December 2016

Rm	2016	2015
Individual Arrangements Insurance (excluding emerging consumer market)	5 785	5 594
Emerging consumer market	272	265
Total Individual Arrangements Insurance	6 057	5 859
Direct Financial Services	102	115
STANLIB 'on balance sheet' sales	480	447
Total 'on balance sheet' sales	6 639	6 421
STANLIB 'off balance sheet' sales	2 063	1 947
GateWay LISP 'off balance sheet' sales	215	240
Total Individual Arrangements distribution	8 917	8 608

Individual Arrangements – Maintenance cost per policy

as at 31 December 2016

R	2016	2015
Valuation basis		
Complex	596	559
Simplex	298	280
Annuities	298	280

Individual Arrangements – Negative rand reserves⁽¹⁾

as at 31 December 2016

Rm	2016	2015
Published IFRS basis	16 632	18 522
Statutory basis	7 824	9 889

⁽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 year ended 31 December 2016

Rm	2016	2015
Gross contribution	1 108	1 107
Underwriting margin	488	530
Fee income	548	561
Longevity improvement factor assumption change	(50)	(50)
Provision release	25	
Pension businesses and other income	97	66
Expenses and other items	(843)	(802)
Profit before tax	265	305
Taxation	(74)	(86)
Headline earnings	191	219

Liberty Corporate – Key performance measures

for the year ended 31 December 2016

Rm (unless otherwise stated)	2016	2015
Gross sales	1 536	1 883
Indexed new business	842	790
Value of new business	28	30
New business margin (%)	0,4	0,5
Net customer cash flows	(751)	(891)

Liberty Health – Headline earnings

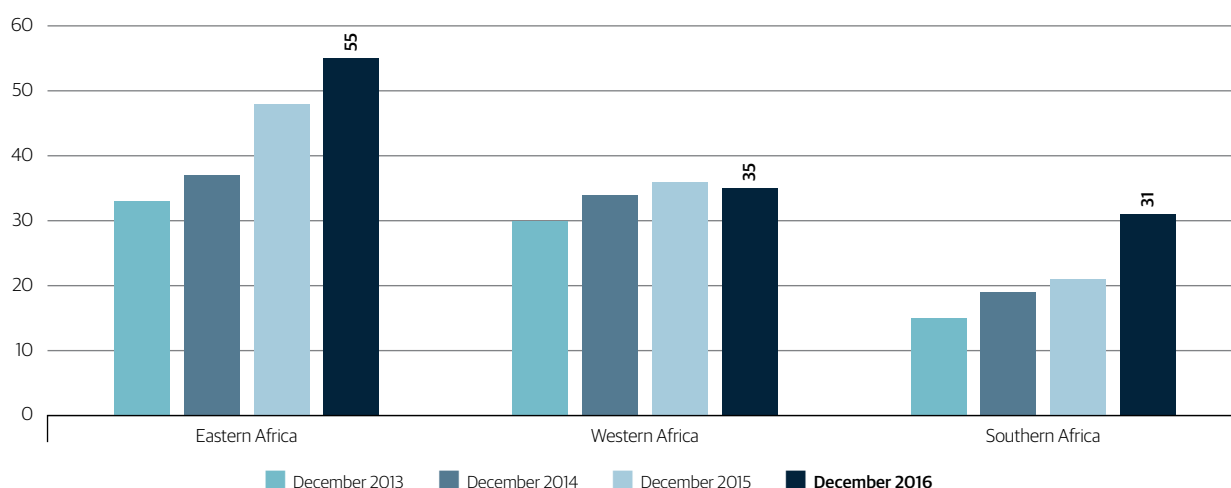
for the year ended 31 December 2016

Rm	2016	2015
Earnings before depreciation and amortisation	(16)	27
Amortisation and depreciation	(33)	(35)
Loss before taxation	(49)	(8)
Taxation	4	(14)
Headline loss	(45)	(22)
Headline loss attributable to Liberty	(45)	(19)

Liberty Health Cover Product – Lives serviced

as at 31 December 2016

Thousands	2016	2015	2014	2013
Region				
Eastern Africa	55	48	37	33
Western Africa	35	36	34	30
Southern Africa	31	21	19	15
Total	121	105	90	78
Liberty owned licences	81			
Third party licences	40			



Liberty Africa Insurance – Headline earnings

for the year ended 31 December 2016

Rm	2016	2015
Insurance entities earnings⁽¹⁾		
Long-term insurance	107	101
Short-term insurance	74	51
Headline earnings (before head office expenses)	181	152
Non controlling shareholders share of headline earnings	(66)	(64)
Liberty share of headline earnings	115	88
Liberty owned businesses >3 years	119	93
Liberty owned businesses <3 years	(4)	(5)
Head office costs	(74)	(63)
Net headline earnings attributable to Liberty	41	25

⁽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 year ended 31 December 2016

Rm (unless otherwise stated)	2016	2015
Embedded value of new business	29	45
New business margin (%)	5,6	6,6
Long term:		
Indexed new business	411	304
Net customer cash flows	483	395
Short term:		
Net customer cash flows	314	254
Claims loss ratio (%)	44	46

Insurance 5 year KPIs

Rm (unless indicated)	2012	2013	2014	2015	2016	CAGR (%)
Long Term						
Indexed new business	138	158	219	304	411	31
Value of new business	50	33	27	45	29	
Annual premium income ⁽¹⁾	421	783	860	1 112	1 800	44
Short Term						
Claims loss ratio (%)	43	38	40	46	44	
Annual premium income ⁽¹⁾	282	262	290	494	571	19

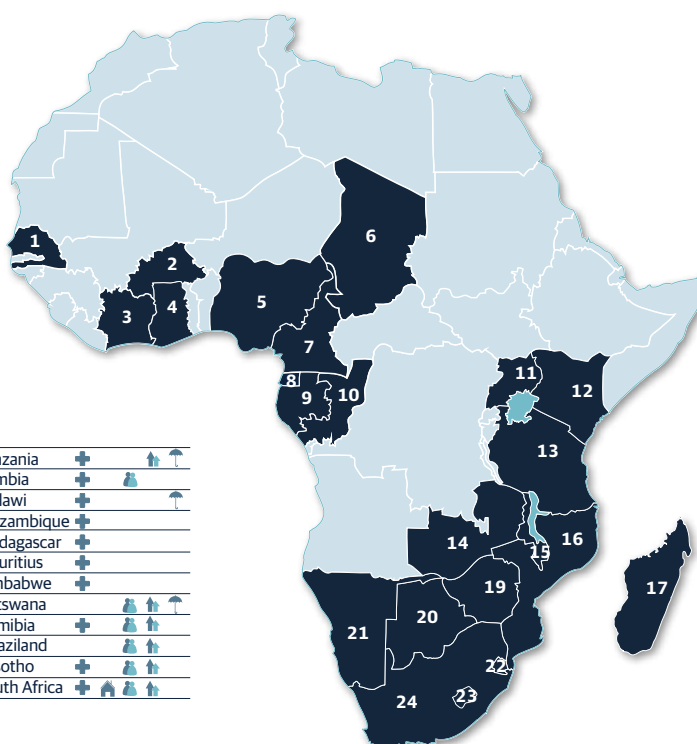
⁽¹⁾ Annualised premium income on the in-force book at year end.

Liberty Africa Insurance – Long-term insurance net cash flows

for the year ended 31 December 2016

Rm	2016	2015
Net premiums by product type		
Retail	571	513
Single	85	71
Recurring	486	442
Institutional	1 038	482
Single	600	68
Recurring	438	414
Net premium income from insurance contracts and inflows from investment contracts	1 609	995
Net claims and policyholders benefits by product type		
Retail	(293)	(186)
Death, critical illness and disability claims	(77)	(55)
Policy surrender and maturity claims	(212)	(127)
Annuity payments	(4)	(4)
Institutional	(833)	(414)
Death, critical illness and disability claims	(81)	(93)
Scheme terminations and member withdrawals	(752)	(321)
Net claims and policyholders benefits	(1 126)	(600)
Net cash flow split as follows:	483	395
Retail	278	327
Institutional	205	68

Our presence in Africa



KEY	
	Life insurance
	Asset management
	Short-term insurance
	Property
	Health

1 Senegal		13 Tanzania	
2 Burkina Faso		14 Zambia	
3 Ivory Coast		15 Malawi	
4 Ghana		16 Mozambique	
5 Nigeria		17 Madagascar	
6 Chad		18 Mauritius	
7 Cameroon		19 Zimbabwe	
8 Equatorial Guinea		20 Botswana	
9 Gabon		21 Namibia	
10 Congo		22 Swaziland	
11 Uganda		23 Lesotho	
12 Kenya		24 South Africa	

STANLIB South Africa – Headline earnings

for the year ended 31 December 2016

Rm (unless otherwise stated)	2016	2015
Net fee income	1 679	1 717
Base fees	1 651	1 704
Performance fees	28	13
Operating expenses	(1 127)	(1 042)
Profit before investment income	552	675
Other income	91	53
Profit before taxation	643	728
Taxation	(184)	(161)
Total headline earnings	459	567
Average margin (bps)	34	33
Average assets under management (Rbn)	525	519

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

as at 31 December 2016

Rm	Net cash inflows/(outflows)		Assets under management	
	2016	2015	2016	2015
Retail	(1 320)	7 881	210 016	210 803
Fixed interest	913	498	40 988	39 201
Equity	(1 072)	(310)	13 044	14 589
Property	(211)	740	13 403	12 804
Money Market	1 007	(1 413)	26 188	25 108
Absolute Return	(551)	72	3 249	3 931
Balanced	(280)	2 333	27 675	28 633
International	(946)	2 367	11 231	14 372
Retail Life	(91)		183	
LISP	2 116	3 594	70 603	72 165
Structured	(2 205)		3 452	
Institutional	4 121	(1 405)	100 107	93 225
Fixed interest	1 531	(1 222)	20 134	16 486
Equity	1 653	411	4 462	2 904
Property	2 440	(780)	8 053	7 901
Money Market	1 030	741	51 807	46 938
Absolute Return	(402)	527	1 070	1 376
Balanced	(1 855)	(552)	11 797	14 074
International	(280)	(660)	2 138	2 753
Other	4	130	646	793
Liberty – Delta LISP	(800)	(782)	37 167	36 188
Liberty – intergroup	(9 207)	(9 256)	187 696	188 920
Total	(7 206)	(3 562)	534 986	529 136

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

as at 31 December 2016

Rm	Money market (incl cash)	Fixed interest	Equity	Property	Other	Absolute return	Balanced	Inter-national	Struc-tured	Retail life	LISP	Total
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		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											37 167	37 167
Liberty – intergroup	9 103	31 547	59 757	25 833	637	7 648	21 361	30 429	1 381			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
2015												
Retail												
Collective Investments		37 017	12 126	9 108		3 015	24 586	14 372				100 224
Linked Investment and Structured Products											72 165	72 165
Money market	25 108											25 108
Multi-manager		2 184	2 463	3 696		916	4 047					13 306
Institutional												
Segregated funds		16 486	2 904	7 901	793	1 376	14 074	2 753				46 287
Money market	46 938											46 938
Liberty – Delta LISP											36 188	36 188
Liberty – intergroup	9 521	31 466	52 958	30 393	2 226	9 315	13 113	35 458	1 633	2 837		188 920
STANLIB total	81 567	87 153	70 451	51 098	3 019	14 622	55 820	52 583	1 633	2 837	108 353	529 136

STANLIB South Africa – Retail investment performance

for the year ended 31 December 2016

Core retail funds – quartile performance Fund name	Rolling period					
	1 Year		3 Year		5 Year	
	2016	2015	2016	2015	2016	2015
STANLIB SA Equity	3	3	4	3	3	2
STANLIB Equity	4	1	3	1	2	1
STANLIB Growth	3	4	4	4	4	4
STANLIB Value	2	3	4	4	4	4
STANLIB Balanced	4	3	4	3	3	2
STANLIB Balanced Cautious	3	2	3	3	3	2
STANLIB Inflation Plus 5%	4	3	4	4	4	4
STANLIB Inflation Plus 3%	1	4	1	4	3	4
STANLIB Absolute Plus	1	3	1	4	2	4
STANLIB Bond	1	2	2	3	2	2
STANLIB Income	2	1	2	2	2	1
STANLIB Money Market	2	2	3	3	3	2
STANLIB Flexible Income	1	4	2	4	2	3
STANLIB Aggressive Income	1	2	1	3	2	3
STANLIB Property Income	1	3	2	3	3	4

STANLIB South Africa – Institutional investment performance

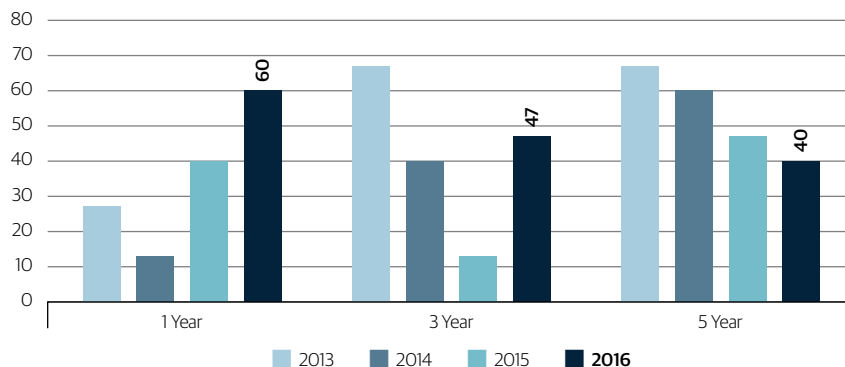
for the year ended 31 December 2016

Survey funds (Alexander Forbes Surveys – quartile performance)	Rolling period					
	1 Year		3 Year		5 Year	
	2016	2015	2016	2015	2016	2015
Large Manager – Global	4	3	4	3	4	2
Full Global Mandate	4	3	4	3	4	2
Domestic Only Mandate	4	3	4	4	4	3
Stanlib Core Equity	4	4	4	4	4	3
Stanlib Growth Equity	3	4	4	4	4	4
Stanlib Value	2	2	4	4	4	3
Stanlib Enhanced Index	4	2	4	1	4	1
Absolute Return	4	4	3	4	2	4
Domestic Absolute Return	4	2	4	4	4	3
Stanlib Core Bond	1	3	2	4	2	2
Money Market	3	4	4	4	4	4
Stanlib Institutional Property	1	4	2	4	3	2

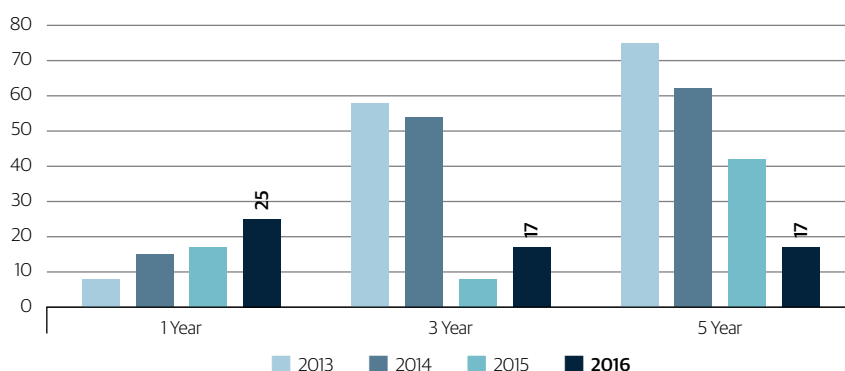
STANLIB South Africa – Investment performance

as at 31 December 2016

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



% of Institutional Funds in 1st and 2nd quartile



STANLIB Other Africa – Assets under management

as at 31 December 2016

Rm	2016	2015
Opening market value	50 317	41 257
Net cash inflows	2 891	2 398
Capital (depreciation)/appreciation	(2 421)	6 662
Closing market value	50 787	50 317
Segregated funds	32 220	29 433
Unit trusts	6 395	8 412
Money Market	12 172	12 472
Total assets under management	50 787	50 317

STANLIB Other Africa – Assets under management by geographical location

as at 31 December 2016

Rm	2016	2015
Southern region⁽¹⁾	27 287	28 140
Fixed interest	5 904	8 879
Equity	10 634	9 448
Property		61
Money Market	9 906	9 417
Other	843	335
Eastern region⁽²⁾	19 975	19 983
Fixed interest	11 595	9 377
Equity	3 308	5 119
Property	3 003	2 548
Money Market	2 069	2 939
Western region⁽³⁾	3 525	2 194
Fixed interest	997	396
Equity		
Money Market	197	116
Other	2 331	1 682
Total assets under management	50 787	50 317
Combined		
Fixed interest	18 496	18 652
Equity	13 942	14 567
Property	3 003	2 609
Money Market	12 172	12 472
Other	3 174	2 017
	50 787	50 317

⁽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

Financial instruments measurement analysis

as at 31 December 2016

Audited Designation per financial position statement Rm	Measurement basis				Fair value hierarchy		
	Amortised cost ⁽¹⁾	Equity accounted	Financial sound- ness value ⁽²⁾	Fair value	Total	Provided below	Not provided ⁽³⁾
Assets							
Repurchase agreements, scrip and collateral assets measured at fair value through profit or loss				15 483	15 483	15 483	
Assets held for trading and for hedging				8 609	8 609	6 620	1 989
Interests in associates measured at fair value through profit or loss				12 995	12 995	12 995	
Interest in joint ventures		10		1 219	1 229	1 219	10
Financial instruments	1 242			316 441	317 683	316 441	1 242
Prepayments, insurance and other receivables				5 300	5 300		5 300
Cash and cash equivalents				14 994	14 994		14 994
Properties (investment and owner-occupied)				33 828	33 828	33 828	
Total financial instrument and property assets	1 242	10		408 869	410 121	386 586	23 535
Fair value of amortised cost assets	1 156						
Liabilities							
Investment contracts with discretionary participation features			11 462		11 462		11 462
Financial liabilities under investment contracts				91 613	91 613	91 613	
Financial liabilities	4 601				4 601		4 601
Third-party financial liabilities arising on consolidation of mutual funds				44 046	44 046	44 046	
Liabilities held for trading and for hedging				6 798	6 798	6 798	
Repurchase agreements liabilities and collateral deposits payable				11 748	11 748	7 064	4 684
Insurance and other payables				11 213	11 213		11 213
Total financial instrument liabilities	4 601		11 462	165 418	181 481	149 521	31 960
Fair value of amortised cost liabilities	4 529						

⁽¹⁾ Amortised

The R1 242 million financial instrument asset relates to policyholder loans. The fair value has been determined by utilising a discounted cash flow model utilising discount rates ranging between 12.0% and 12.5%. The financial liabilities comprise subordinated bonds of R4 596 million and redeemable preference shares of R5 million. The fair value of these liabilities is R4 524 million and R5 million respectively. The fair value of the subordinated bonds is determined by discounting the cash flows using the government bond curve and a credit spread. The credit spread ranges from 1.92% to 3.24%.

⁽²⁾ Financial soundness value

The financial soundness valuation methodology is described in SAP 104 issued by the Actuarial Society of South Africa. With regards to investment contracts with discretionary participation features, the group cannot reliably measure the fair value of the investment contracts with discretionary participation features (DPF). The DPF is a contractual right that gives investors in these contracts the rights to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund. These supplementary returns are subject to the discretion of the group. Given the discretionary nature of these investments returns and the absence of an exchange market in these contracts, there is no generally recognised methodology available to determine fair value. These instruments are issued by the group and the intention is to hold the instruments to full contract term.

⁽³⁾ Fair value hierarchy not provided

The fair value of prepayments, insurance and other receivables, collateral deposits, cash and cash equivalents, equity accounted joint ventures, insurance and other payables and collateral deposits payable approximate their carrying value and are not included in the hierarchy table. In most cases their settlement terms are short-term and therefore, from a materiality perspective, fair values are not required to be modelled.

Fair value measurement disclosures (continued)

Financial instruments measurement analysis (continued)

as at 31 December 2015

Audited Designation per financial position statement Rm	Measurement basis				Fair value hierarchy		
	Amortised cost ⁽¹⁾	Equity accounted	Financial sound- ness value ⁽²⁾	Fair value	Total	Provided below	Not provided ⁽³⁾
Assets							
Repurchase agreements, scrip and collateral assets measured at fair value through profit or loss				19 225	19 225	19 225	
Assets held for trading and for hedging				11 890	11 890	7 811	4 079
Interests in associates measured at fair value through profit or loss				16 967	16 967	16 967	
Interest in joint ventures		20		959	979	959	20
Financial instruments	1 210			307 608	308 818	307 608	1 210
Prepayments, insurance and other receivables				4 360	4 360		4 360
Cash and cash equivalents				19 305	19 305		19 305
Properties (investment and owner- occupied)				33 321	33 321	33 321	
Total financial instrument and property assets	1 210	20		413 635	414 865	385 891	28 974
Fair value of amortised cost assets	1 106						
Liabilities							
Investment contracts with discretionary participation features			11 250		11 250		11 250
Financial liabilities under investment contracts				88 459	88 459	88 459	
Financial liabilities	3 579			335	3 914	335	3 579
Third-party financial liabilities arising on consolidation of mutual funds				46 329	46 329	46 329	
Derivative liabilities				11 125	11 125	11 125	
Repurchase agreements liabilities and collateral received				16 159	16 159	10 239	5 920
Insurance and other payables				10 041	10 041		10 041
Total financial instrument liabilities	3 579		11 250	172 448	187 277	156 487	30 790
Fair value of amortised cost liabilities	3 300						

⁽¹⁾ Amortised

The R1 210 million financial instrument asset relates to policyholder loans. The fair value has been determined by utilising a discounted cash flow model utilising discount rates ranging between 11,8% and 13,5%. The financial liabilities comprise subordinated bonds of R3 574 million and redeemable preference shares of R5 million. The fair value of these liabilities is R3 295 million and R5 million respectively. The fair value of the subordinated bonds is determined by discounting the cash flows using the government bond curve and a credit spread. The credit spread ranges from 2,66% to 3,05%.

⁽²⁾ Financial soundness value

The financial soundness valuation methodology is described in SAP 104 issued by the Actuarial Society of South Africa. With regards to investment contracts with discretionary participation features, the group cannot reliably measure the fair value of the investment contracts with discretionary participation features (DPF). The DPF is a contractual right that gives investors in these contracts the rights to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund. These supplementary returns are subject to the discretion of the group. Given the discretionary nature of these investments returns and the absence of an exchange market in these contracts, there is no generally recognised methodology available to determine fair value. These instruments are issued by the group and the intention is to hold the instruments to full contract term.

⁽³⁾ Fair value hierarchy not provided

The fair value of prepayments, insurance and other receivables, collateral deposits, cash and cash equivalents, equity accounted joint ventures, insurance and other payables and collateral deposits payable approximate their carrying value and are not included in the hierarchy table. In most cases their settlement terms are short-term and therefore, from a materiality perspective, fair values are not required to be modelled.

Fair value measurement disclosures (continued)

Fair value hierarchy of instruments measured at fair value

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

2016 Rm	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
Comprising:				
Held-for-trading		6 620		6 620
Designated as at fair value through profit or loss	190 005	150 848	5 285	346 138
Properties measured at fair value			33 828	33 828
Total assets carried at fair value	190 005	157 468	39 113	386 586

⁽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 of instruments measured at fair value (continued)

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

2015 Rm	Level 1	Level 2	Level 3	Restated Total
Equity instruments	128 121	35	2 061	130 217
Listed equities on the JSE or foreign exchanges	119 730	17		119 747
Unlisted equities		18	610	628
Scrip assets – listed equities on the JSE	8 391			8 391
Interests in associates			492	492
Interests in joint ventures			959	959
Debt instruments	59 483	53 678	1 124	114 285
Listed preference shares on the JSE or foreign exchanges	1 118			1 118
Unlisted preference shares		378	159	537
Listed term deposits on BESA, JSE or foreign exchanges	50 094	21 199	48	71 341
Unlisted term deposits		29 538	367	29 905
Repurchase agreements and collateral assets	8 271	2 563		10 834
Loan in associate			550	550
Mutual funds⁽¹⁾	803	88 793	2 605	92 201
Property	14	2 924		2 938
Equity instruments	292	20 035	1 564	21 891
Interest-bearing instruments	398	25 109	88	25 595
Mixed asset classes	99	40 725	953	41 777
Investment policies		6 492	1 564	8 056
Derivative assets held for trading and for hedging		7 811		7 811
Equity instruments		1 348		1 348
Currency exchange instruments		17		17
Interest rate instruments		6 446		6 446
Properties			33 321	33 321
Total assets subject to fair value hierarchy analysis	188 407	156 809	40 675	385 891
Comprising:				
Held-for-trading		7 811		7 811
Designated as at fair value through profit or loss	188 407	148 998	7 354	344 759
Properties measured at fair value			33 321	33 321
Total assets carried at fair value	188 407	156 809	40 675	385 891

⁽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 of instruments measured at fair value (continued)

The table below analyses the fair value measurements of applicable financial instrument liabilities which are all categorised as follows:

Rm (Audited)	Level 1	Level 2	Level 3	Total
2016				
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
Comprising:				
Held-for-trading		6 798		6 798
Fair value through profit or loss		141 452	1 271	142 723
Total financial instrument liabilities carried at fair value		148 250	1 271	149 521
2015				
Policyholder long-term investment contract liabilities		88 459		88 459
Third-party financial liabilities arising on consolidation of mutual funds		45 327	1 002	46 329
Repurchase agreements liabilities		10 239		10 239
Liabilities held for trading and for hedging		11 125		11 125
Financial liabilities measured at fair value through profit or loss		335		335
Total liabilities subject to fair value hierarchy analysis		155 485	1 002	156 487
Comprising:				
Held-for-trading		11 125		11 125
Fair value through profit or loss		144 360	1 002	145 362
Total financial instrument liabilities carried at fair value		155 485	1 002	156 487

There were no transfers between levels 1, 2 and 3 during the period.

Fair value measurement disclosures (continued)

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

Reconciliation of level 3 assets and liabilities

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

Rm	2016	2015
Balance at the beginning of the year	40 675	32 529
Fair value adjustment recognised in profit or loss as part of investment gains ⁽¹⁾	(781)	1 806
Fair value adjustment recognised in other comprehensive income ⁽¹⁾	(1)	54
Reclassification to level 3 ⁽²⁾		3 530
Reclassification from level 3 ⁽²⁾	(502)	(51)
Foreign currency translation	(43)	377
Additions	2 602	2 954
Disposals	(2 810)	(622)
Movements on third-party share of financial instruments in mutual funds	(27)	98
Balance at the end of the year	39 113	40 675
Properties	33 828	33 321
Financial instruments – equity and mutual funds	3 753	4 666
Financial instruments – debt	180	1 124
Financial instruments – investment policies	1 352	1 564

⁽¹⁾ Included in the fair value adjustments is a R4 852 million unrealised loss (2015: R1 638 million unrealised gain).

⁽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 year relates mainly to unrealised fair value adjustments and therefore a reconciliation is not provided.

Fair value measurement disclosures (continued)

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

Level 3 – significant fair value model assumptions and sensitivities

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 31 December 2016 range between 6,8% and 10,5% (2015: between 6,8% and 10,5%). This compares to the ten year government yield of 8,93% (2015: 9,73%). 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 0,5% change in the capitalisation rate. 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	0,5% increase	0,5% decrease
2016			
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
2015			
Properties below 6,8% capitalisation rate	24 616	19 723	26 423
Properties between 6,8% – 8,5% capitalisation rate	4 574	4 284	4 907
Properties between 8,6% – 11,0% capitalisation rate	4 131	3 918	4 369
Total	33 321	27 925	35 699

Financial instrument assets

Rm	2016	2015
Equities and mutual funds		
Unlisted equities	1 871	610
Interests in associates		492
Interests in joint ventures	1 219	959
Loan in associate		550
Mutual funds	663	2 605
Investment policies	1 352	1 564
Debt		
Unlisted preference shares	180	159
Listed term deposits on BESA, JSE or foreign exchanges		48
Unlisted term deposits		367

Fair value measurement disclosures (continued)

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

Level 3 – significant fair value model assumptions and sensitivities (continued)

Financial instrument assets (continued)

Approximately 99% (2015: 77%) 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% (2015: 9% and 19%).

Rm	2016			2015		
	Net shareholder exposure	Change in the discount rate		Net shareholder exposure	Change in the discount rate	
		0,5% increase	0,5% decrease		0,5% increase	0,5% decrease
After tax net impact to profit or loss and shareholder equity ⁽¹⁾	345	(10)	10	2 675	(131)	136

⁽¹⁾ Sensitivity on total level 3 assets.

Fair value measurement disclosures (continued)

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

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.

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 of instruments measured at fair value (continued)

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