



LIBERTY

Liberty Holdings Limited

**Supplementary
information**

For the six months ended 30 June

2018

CONTENTS

	Page
Analysis of ordinary shareholders' equity	1
Analysis of group earnings – core earnings	2
South African covered business embedded value	3
Bancassurance – Benefit to Liberty	9
90:10 Shareholder exposure	9
Long-term policyholder liabilities IFRS reconciliation	10
South African insurance distribution headcount	11
Total long-term insurance premiums	11
Long-term insurance – New business by distribution channel	12
LibFin – Shareholder Investment Portfolio	14
LibFin – Shareholder Investment Portfolio percentage allocation	14
LibFin – Shareholder Investment Portfolio return	15
LibFin – Markets Credit portfolio	15
Individual Arrangements – Headline earnings	16
Individual Arrangements – Key performance indicators	16
Individual arrangements – Indexed new business	16
Individual arrangements – Maintenance cost per policy	17
Individual Arrangements – Negative rand reserves	17
Liberty Corporate – Headline earnings	17
Liberty Corporate – Key performance indicators	18
Liberty Health – Headline earnings	18
Liberty Health Cover Product – Lives serviced	18
Liberty Africa Insurance – Headline earnings	19
Liberty Africa Insurance – Key performance indicators	19
Liberty Africa Insurance – Long-term insurance net cash flows	20
Our presence in Africa	20
STANLIB South Africa – Headline earnings	21
STANLIB South Africa – Net cash flows and assets under management by asset category	21
STANLIB South Africa – Assets under management breakdown by source and asset type	22
STANLIB South Africa – Retail investment performance	23
STANLIB South Africa – Institutional investment performance	23
STANLIB South Africa – Investment performance	24
STANLIB Africa – Assets under management	25
STANLIB Africa – Assets under management by geographical location	25

ANALYSIS OF ORDINARY SHAREHOLDERS' EQUITY

for the six months ended 30 June 2018

Rm	Group funds invested			Contribution to earnings		
	30 June 2018	30 June 2017	12 months 31 December 2017	30 June 2018	30 June 2017	12 months 31 December 2017
South African insurance	18 068	18 369	18 412	1 324	1 298	2 972
Insurance operating surplus				856	776	1 618
Present value of in-force business	9	14	12	(3)	(3)	(5)
Investment portfolios	14 682	15 560	17 235	579	552	1 480
Fixed assets and working capital ⁽¹⁾	7 948	7 295	6 665	70	115	190
Subordinated notes (excluding accrued interest) ⁽²⁾		(4 500)	(5 500)		(142)	(311)
Subordinated notes at fair value ⁽²⁾	(4 571)			(178)		
Other insurance	1 172	1 188	1 112	(52)	(19)	(65)
Liberty Africa Insurance	921	815	813	(5)	20	45
Business development support ⁽³⁾				(2)	(20)	(56)
Liberty Health	251	373	299	(45)	(19)	(54)
Asset management						
STANLIB South Africa	809	809	795	175	115	252
STANLIB Africa	187	(19)	100	10	(118)	(204)
Central overheads and sundry income				(128)	(13)	(244)
Liberty Holdings Limited	1 684	1 273	1 428			
Liberty Two Degrees consolidation adjustment^{(4),(5)}	847	158	597	193	278	543
Preference share dividend				(1)	(1)	(2)
Headline earnings				1 521	1 540	3 252
Preference share dividend				1	1	2
Impairment of intangible assets (net of tax)						(136)
Liberty Holdings shareholders' equity/total earnings	22 767	21 778	22 444	1 522	1 541	3 118
Normalised:						
Liberty Holdings shareholders' equity/headline earnings	22 767	21 778	22 444	1 521	1 540	3 252
BEE preference shares	117	142	123	4	5	10
Liberty Two Degrees normalisation adjustment ^{(4),(5)}	(438)	(158)	(340)	(193)	(278)	(543)
Normalised shareholders' equity/headline earnings	22 446	21 762	22 227	1 332	1 267	2 719

⁽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% namc.

⁽²⁾ Subordinated notes previously measured at amortised cost.

⁽³⁾ Costs associated with management support of the business development area, which includes Group Arrangements, STANLIB Africa and Short-term Insurance Joint Venture. 2017 includes the costs associated with the terminated long-term licence acquisition in Nigeria.

⁽⁴⁾ Reversal of the accounting mismatch arising on consolidation of the policyholders obligation linked to L2D units

⁽⁵⁾ Represents the difference between Liberty's share of the net asset value of L2D at the end of the period and the listed price of L2D units multiplied by the number of units in issue to Liberty at the end of the period.

ANALYSIS OF GROUP EARNINGS – CORE EARNINGS

for the six months ended 30 June 2018

Rm	30 June 2018	30 June 2017	12 months 31 December 2017
Individual Arrangements planned margin release including annual contribution increases	1 025	1 008	1 971
Individual Arrangements credit life	93	81	167
Individual Arrangements VIF amortisation	(3)	(3)	(5)
LibFin Markets	169	168	376
Expected long-term rate of return on Shareholder Investment Portfolio ⁽¹⁾	679	779	1 464
Other businesses headline earnings	111	49	240
Group Arrangements	25	61	16
Liberty Corporate	77	80	81
Liberty Africa Insurance	(5)	20	45
Liberty Health	(45)	(19)	(54)
Business development support ⁽²⁾	(2)	(20)	(56)
Asset management			
STANLIB South Africa	201	115	445
STANLIB Africa	10	(118)	15
Central overheads and sundry income	(125)	(9)	(236)
Centre expenses and sundry income	(129)	(14)	(246)
BEE preference share income	4	5	10
Core operating earnings	2 074	2 082	4 213
Individual Arrangements new business strain	(379)	(397)	(675)
Individual Arrangements operating variances, assumption changes and other	(32)	(92)	(250)
Adjusted core operating earnings	1 663	1 593	3 288
Variance to long-term rate of return on Shareholder Investment Portfolio	(305)	(326)	(157)
STANLIB South Africa sustainable earnings adjustment	(26)		(193)
STANLIB Africa sustainable earnings adjustment			(219)
Normalised headline earnings	1 332	1 267	2 719

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

⁽²⁾ Costs associated with management support of the business development area, which includes Group Arrangements, STANLIB Africa and Short-term Insurance Joint Venture. 2017 includes the costs associated with the terminated long-term licence acquisition in Nigeria.

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

for the six months ended 30 June 2018

1 Description of embedded value of South African covered business

The prudential regulatory regime governing South African insurance companies changed on 1 July 2018 to the Solvency Assessment and Management (SAM) regime. As at 30 June 2018 the previous basis remained in force. Liberty has continued to report embedded value on the same basis as previously reported. The 31 December 2018 reported embedded value will reference a new basis and hence will differ from the current embedded value.

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

The embedded value consists of:

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

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

The value of in-force covered business is the discounted value of the projected stream of after-tax shareholder profits arising from existing in-force covered business. These shareholder profits arise from the release of margins under the statutory basis of valuing liabilities, which differs from the release of profits on the published accounting basis. Covered business is defined as business regulated by the Prudential Authority 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, once-off premium increases in respect of in-force covered risk business, and once-off contributions in respect of in-force covered investment business during the reporting period. Risk policies with an inception date prior to the reporting date where no premium has been received are included in the embedded value and value of new business. The contractual terms of these policies state that Liberty Group Limited is on risk from the inception date, even though a premium may not have been received. This definition is consistent with that used in the financial statements.

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

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

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the six months ended 30 June 2018

2 Normalised embedded value

Rm (unless otherwise stated)	30 June 2018	30 June 2017	31 December 2017
Risk discount rate % ⁽¹⁾	12,03	11,89	11,79
Net worth	10 895	11 189	11 134
Ordinary shareholders' funds on published basis	18 068	18 369	18 412
BEE preference share funding	117	142	123
Adjustment of ordinary shareholders' funds from published basis ⁽²⁾	(7 119)	(7 175)	(7 253)
Adjustment for carrying value of in-force business acquired ⁽³⁾	(9)	(14)	(12)
Allowance for fair value of share rights	(62)	(33)	(36)
Frank Financial Services allowance for future expenses	(100)	(100)	(100)
Net value of life business in-force	22 968	23 038	23 447
Value of life business in-force	24 625	24 678	25 137
Cost of required capital	(1 657)	(1 640)	(1 690)
Normalised embedded value	33 863	34 227	34 581
3 Normalised embedded value earnings			
Embedded value at the end of the period	33 863	34 227	34 581
IFRS 9 transition adjustment	121		
Funding of restricted share plan	108	112	92
Intragroup dividends ⁽⁴⁾	1 350	1 400	2 600
Less embedded value at the beginning of the period	(34 581)	(34 470)	(34 470)
Embedded value earnings	861	1 269	2 803
Return on embedded value (%)	5,1	7,5	8,2

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the six months ended 30 June 2018

4 Analysis of normalised embedded value earnings

Rm	30 June 2018				30 June 2017				12 months 31 December 2017
	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
Embedded value at the end of the period	10 895	24 625	(1 657)	33 863	11 189	24 678	(1 640)	34 227	34 581
Plus dividends paid ⁽⁴⁾	1 350			1 350	1 400			1 400	2 600
Plus funding of restricted share plan	108			108	112			112	92
Less beginning of year IFRS 9 transition adjustment	121			121					
Embedded value at the beginning of the period	(11 134)	(25 137)	1 690	(34 581)	(11 717)	(24 394)	1 641	(34 470)	(34 470)
Embedded value earnings	1 340	(512)	33	861	984	284	1	1 269	2 803
Components of embedded value earnings									
Value of new business written in the period	(884)	1 060	(46)	130	(963)	1 081	(43)	75	212
Expected return on value of in-force business ⁽⁵⁾		1 444	16	1 460		1 423	23	1 446	2 926
Expected net of tax profit transfer to net worth	2 196	(2 196)			2 138	(2 138)			
Variations/changes in operating assumptions	320	(135)	61	246	49	(53)	25	21	109
Operating experience variances ⁽⁶⁾	267	(51)	61	277	72	102		174	330
Operating assumption changes ⁽⁷⁾	(9)	(11)		(20)	(2)	(5)		(7)	30
Changes in modelling methodology ⁽⁸⁾	62	(73)		(11)	(21)	(150)	25	(146)	(251)
Development expenses					(30)			(30)	(55)
Intragroup transfers					46			46	46
Embedded value earnings from operations	1 632	173	31	1 836	1 240	313	5	1 558	3 238
Economic adjustments	(266)	(685)	2	(949)	(256)	(29)	(4)	(289)	(432)
Return on net worth and other adjustments ⁽⁹⁾	(113)			(113)	94			94	(14)
Investment variances ⁽¹⁰⁾	(57)	(413)		(470)	(361)	(118)		(479)	(594)
Changes in economic assumptions ⁽¹¹⁾	(96)	(272)	2	(366)	11	89	(4)	96	176
Change in allowance for fair value of share rights ⁽¹²⁾	(26)			(26)					(3)
Normalised embedded value earnings	1 340	(512)	33	861	984	284	1	1 269	2 803

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the six months ended 30 June 2018

5 Notes to embedded value

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

%	Investment return p.a.		
	30 June 2018	30 June 2017	31 December 2017
Government stock	9,23	9,09	8,99
Equities	12,73	12,59	12,49
Property	10,23	10,09	9,99
Cash	7,73	7,59	7,49
The risk discount rate has been set equal to the risk free rate plus 80% of the equity risk premium	12,03	11,89	11,79
Maintenance expense inflation rate	7,48	7,34	7,24

(2) 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.

(3) 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 adjustment was R9 million (31 December 2017: R12 million, 30 June 2017: R14 million).

(4) Dividends paid by Liberty Group Limited to Liberty Holdings Limited.

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

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the six months ended 30 June 2018

5 Notes to embedded value (continued)

(6) Operating experience variances consist of the combined effect on net worth and value of in-force of operating experience being different to that anticipated at the prior year end.

The net 30 June 2018 operating experience variance of R277 million (31 December 2017: R330 million, 30 June 2017: R174 million) comprised:

Operating experience variances (Rm)	Net worth	Value of in-force covered business	Cost of required capital	Embedded value
30 June 2018				
Individual Arrangements	219	43	61	323
Mortality and morbidity	105	57		162
Policyholder behaviour	39	(18)		21
Other ⁽ⁱ⁾	75	4	61	140
Group Arrangements: Liberty Corporate ⁽ⁱⁱ⁾	(17)	(94)		(111)
Credit portfolio variance	65			65
Total	267	(51)	61	277
30 June 2017				
Individual Arrangements	(11)	83		72
Mortality and morbidity	101	50		151
Policyholder behaviour	(47)	17		(30)
Other	(65)	16		(49)
Group Arrangements: Liberty Corporate	17	19		36
Credit portfolio variance	66			66
Total	72	102		174
31 December 2017				
Individual Arrangements	117	140		257
Mortality and morbidity	255	78		333
Policyholder behaviour	(8)	93		85
Other ⁽ⁱⁱⁱ⁾	(130)	(31)		(161)
Group Arrangements: Liberty Corporate	(70)	(35)		(105)
Credit portfolio variance	178			178
Total	225	105		330

⁽ⁱ⁾ The amount of R75 million primarily relates to tax variances.

⁽ⁱⁱ⁾ The amount of negative R94 million is mainly a result of switches out of high margin portfolios into low margin portfolios.

⁽ⁱⁱⁱ⁾ The amount of negative R130 million is primarily related to strengthening the basis in respect of regulatory and other simplification projects.

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the six months ended 30 June 2018

5 Notes to embedded value (continued)

- (7) The amount of negative R20 million (31 December 2017: R30 million, 30 June 2017: negative R7 million) is due to a number of offsetting assumption changes, primarily relating to tax changes.
- (8) The amount of negative R11 million (31 December 2017: negative R251 million, 30 June 2017: negative R146 million) is due to a number of minor offsetting modelling changes.
- (9) Reconciliation of embedded value return on net worth and other adjustments to LibFin Investments earnings

	30 June 2018 Rm	30 June 2017 Rm	31 December 2017 Rm
LibFin Investments after consolidation of L2D	374	453	1 307
Adjustment to reflect L2D at listed unit price	(152)	(201)	(394)
LibFin Investments earnings	222	252	913
Adjustments for differences between the statutory and published bases	(286)	(202)	(604)
90:10 book	(24)	(71)	(194)
Frank Financial Services	(21)	(21)	(50)
Bancassurance obligations relating to Liberty Africa and STANLIB	(16)	(23)	(54)
BEE preference scheme	5	4	7
Central treasury investments	27	53	115
Software asset impairment			(71)
Other	(20)	102	(76)
Return on net worth and other adjustments	(113)	94	(14)

The return on net worth and other adjustments includes an amount of R12 million (31 December 2017: negative R7 million, 30 June 2017: negative R17 million) in respect of the change in the fair value of cash flow hedges supporting LGL subordinated notes. With the change in classification of the LGL subordinated notes to fair value on adoption of IFRS 9, the cash flow hedges on these bonds were recycled to IFRS earnings.

- (10) The amount of negative R470 million (31 December 2017: negative R594 million, 30 June 2017: negative R479 million) arises from the mismatch created by hedging market risk on the IFRS basis and the negative investment variance on the 90:10 book. The investment variances also include an amount of negative R12 million (31 December 2017: R61 million, 30 June 2017: R48 million) in respect of the change in the fair value of cash-flow hedges supporting LibFin Credit.
- (11) The amount of negative R366 million (31 December 2017: R176 million, 30 June 2017: R96 million) relates to changes in economic assumptions as described in note (1).
- (12) The amount of negative R26 million (31 December 2017: negative R3 million, 30 June 2017: R0 million) in respect of the change in the fair value of share rights arises from the change in the number of share rights for staff employed by Liberty Group Limited and the change in the market value of Liberty Holdings Limited share price over the reporting period.

Other bases, bonus rates and assumptions

Taxation has been allowed for at rates and on bases applicable to section 29A of the Income Tax Act. Full taxation relief on expenses to the extent permitted was assumed. Capital gains taxation has been taken into account in the embedded value.

Assumptions reflect best estimates of future experience consistent with the statutory valuation basis excluding any compulsory or discretionary margins. However, in contrast to the assumptions in the statutory valuation basis, the embedded value makes allowance for non-compulsory automatic premium and benefit increases.

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

BANCASSURANCE – BENEFIT TO LIBERTY

as at 30 June 2018

Liberty share (Rm)	30 June 2018	30 June 2017	12 months 31 December 2017
Credit Life			
IFRS headline earnings	93	81	167
Embedded value of in-force contracts	528	490	506
Other insurance products			
Embedded value of new business	14	7	32
Embedded value of in-force contracts	1 196	1 124	1 198
STANLIB			
Net service fees on assets under management sourced from Standard Bank distribution	222	212	422

90:10 SHAREHOLDER EXPOSURE

as at 30 June 2018

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 expected amount for the period forms part of the expected transfer to Net Worth in the AoEV. There is therefore an inconsistency between the IFRS revenue account (shown as LibFin Investments revenue) and the AoEV (shown as expected Life Fund Operating earnings).

Rm	30 June 2018	30 June 2017	12 months 31 December 2017
Exposure as at the beginning of the period	3 920	4 142	4 142
Expected earnings	145	155	303
Variance	(121)	(84)	(109)
Total net earnings	24	71	194
Exposure as at the end of the period	3 740	3 973	3 920

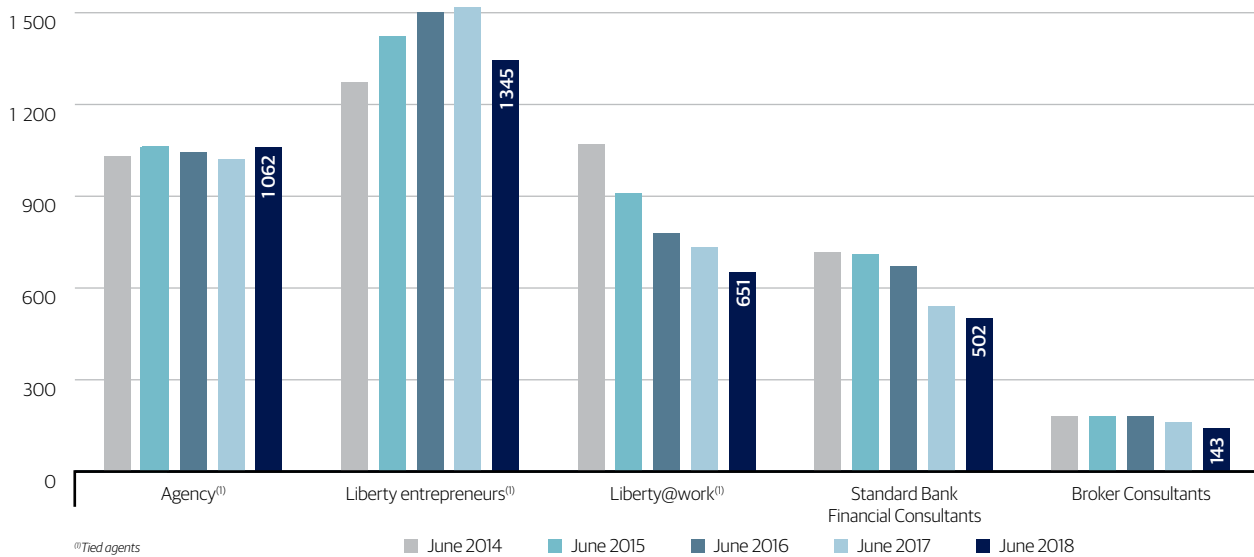
LONG-TERM POLICYHOLDER LIABILITIES IFRS RECONCILIATION

as at 30 June 2018

Rm	30 June 2018	30 June 2017	12 months 31 December 2017
Policyholder liabilities at beginning of the period net of reinsurance	314 616	299 119	299 119
Policyholder liabilities	322 918	307 230	307 230
Reinsurance liabilities	663	555	555
Policyholder assets	(7 484)	(7 314)	(7 314)
Reinsurance assets	(1 481)	(1 352)	(1 352)
Transfers to policyholder liabilities	(3 696)	1 679	15 767
Net premium income from insurance contracts and inflows from investment contracts	26 063	26 469	54 140
Net insurance premiums	16 733	17 794	36 723
Fund inflows from investment contracts	9 330	8 675	17 417
Investment returns	3 812	10 476	31 102
Net claims and policyholder benefits	(25 801)	(27 134)	(52 506)
Net insurance claims	(17 412)	(18 354)	(36 133)
Fund outflows from investment contracts	(8 389)	(8 780)	(16 373)
Acquisition costs	(1 971)	(2 219)	(4 326)
Management expenses, finance costs and profit share allocations	(4 651)	(4 607)	(9 441)
Taxation	(482)	(633)	(1 906)
Operating profit from insurance operations	(666)	(673)	(1 296)
Foreign currency translation reserve	321	(134)	(270)
Policyholder liabilities at end of period net of reinsurance	311 241	300 664	314 616
Policyholder liabilities	319 280	309 200	322 918
Reinsurance liabilities	652	543	663
Policyholder assets	(7 159)	(7 689)	(7 484)
Reinsurance assets	(1 532)	(1 390)	(1 481)

SOUTH AFRICAN INSURANCE DISTRIBUTION HEADCOUNT

as at 30 June 2018



TOTAL LONG-TERM INSURANCE PREMIUMS

for the six months ended 30 June 2018

Rm	Recurring premiums			Single premiums			Total premiums		
	30 June 2018	30 June 2017	12 months 31 December 2017	30 June 2018	30 June 2017	12 months 31 December 2017	30 June 2018	30 June 2017	12 months 31 December 2017
Individual Arrangements	10 517	10 323	20 824	9 829	10 704	22 151	20 346	21 027	42 975
Liberty Corporate	4 384	4 307	8 784	717	530	1 222	5 101	4 837	10 006
Liberty Africa Insurance	506	531	925	110	74	234	616	605	1 159
Total premiums	15 407	15 161	30 533	10 656	11 308	23 607	26 063	26 469	54 140
Indexed premiums							16 473	16 291	32 893
Individual Arrangements							11 500	11 393	23 039
Liberty Corporate							4 456	4 360	8 906
Liberty Africa Insurance							517	538	948

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

LONG-TERM INSURANCE – NEW BUSINESS BY DISTRIBUTION CHANNEL ⁽¹⁾

for the six months ended 30 June 2018

Rm	Recurring premiums			Single premiums		
	30 June 2018	30 June 2017	12 months 31 December 2017	30 June 2018	30 June 2017	12 months 31 December 2017
Retail	2 824	2 818	5 817	10 080	10 973	22 660
Broker	539	572	1 236	2 496	2 819	5 527
Bancassurance	1 350	1 290	2 601	2 585	2 683	6 519
Tied channels ⁽²⁾	809	833	1 732	4 880	5 365	10 359
Other	126	123	248	119	106	255
Institutional	512	596	1 196	533	319	838
Broker	322	388	691	394	150	398
Bancassurance	13	8	22			
Tied channels ⁽²⁾	161	143	462	94	163	419
Other	16	57	21	45	6	21
Total new business	3 336	3 414	7 013	10 613	11 292	23 498
Split between:						
South Africa⁽¹⁾						
Individual Arrangements	2 735	2 725	5 657	9 998	10 936	22 583
Broker	535	571	1 234	2 453	2 819	5 527
Bancassurance	1 329	1 248	2 547	2 579	2 673	6 494
Tied channels ⁽²⁾	753	792	1 652	4 875	5 365	10 359
Other	118	114	224	91	79	203
Liberty Corporate	464	528	1 089	524	297	816
Broker	305	359	648	385	128	376
Bancassurance	13	8	22			
Tied channels ⁽²⁾	145	118	419	94	163	419
Other	1	43		45	6	21
Total new business	3 199	3 253	6 746	10 522	11 233	23 399
Liberty Africa Insurance						
Retail	89	93	160	82	37	77
Broker	4	1	2	43		
Bancassurance	21	42	54	6	10	25
Tied channels ⁽²⁾	56	41	80	5		
Other	8	9	24	28	27	52
Institutional	48	68	107	9	22	22
Broker	17	29	43	9	22	22
Tied channels ⁽²⁾	16	25	43			
Other	15	14	21			
Total new business	137	161	267	91	59	99

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

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

	Total premiums			Indexed premiums		
	30 June 2018	30 June 2017	12 months 31 December 2017	30 June 2018	30 June 2017	12 months 31 December 2017
	12 904	13 791	28 477	3 832	3 916	8 084
	3 035	3 391	6 763	788	854	1 789
	3 935	3 973	9 120	1 609	1 558	3 253
	5 689	6 198	12 091	1 297	1 370	2 768
	245	229	503	138	134	274
	1 045	915	2 034	565	628	1 280
	716	538	1 089	361	403	731
	13	8	22	13	8	22
	255	306	881	170	159	504
	61	63	42	21	58	23
	13 949	14 706	30 511	4 397	4 544	9 364
	12 733	13 661	28 240	3 735	3 819	7 916
	2 988	3 390	6 761	780	853	1 787
	3 908	3 921	9 041	1 587	1 515	3 196
	5 628	6 157	12 011	1 241	1 329	2 688
	209	193	427	127	122	245
	988	825	1 905	516	558	1 171
	690	487	1 024	343	372	686
	13	8	22	13	8	22
	239	281	838	154	134	461
	46	49	21	6	44	2
	13 721	14 486	30 145	4 251	4 377	9 087
	171	130	237	97	97	168
	47	1	2	8	1	2
	27	52	79	22	43	57
	61	41	80	56	41	80
	36	36	76	11	12	29
	57	90	129	49	70	109
	26	51	65	18	31	45
	16	25	43	16	25	43
	15	14	21	15	14	21
	228	220	366	146	167	277

LIBFIN – SHAREHOLDER INVESTMENT PORTFOLIO

as at 30 June 2018

Exposure category	30 June 2018				31 December 2017			
	Local Rm	Foreign Rm	Total Rm	%	Local Rm	Foreign Rm	Total Rm	%
Equities	3 630	4 113	7 743	30	4 431	4 787	9 218	33
Bonds	6 444	717	7 161	27	7 197	304	7 501	27
Cash	5 378	374	5 752	22	5 385	49	5 434	20
Property	2 912		2 912	11	3 093		3 093	11
Other	1 677	1 134	2 811	10	1 649	937	2 586	9
Total	20 041	6 338	26 379	100	21 755	6 077	27 832	100
Assets backing capital			14 682	56			17 235	62
Assets backing policyholder liabilities			7 957	30			6 677	24
90:10 exposure			3 740	14			3 920	14
Reconciliation to IFRS shareholders' equity								
Shareholder Investment Portfolio			26 379				27 832	
Less: 90:10 exposure			(3 740)				(3 920)	
Less: Subordinated notes			(4 571)				(5 500)	
SA Insurance IFRS shareholders' equity			18 068				18 412	

LIBFIN – SHAREHOLDER INVESTMENT PORTFOLIO
PERCENTAGE ALLOCATION

as at 30 June 2018

%	30 June 2018				31 December 2017			
	Assets backing capital	Assets backing life funds	90:10 exposure	Total	Assets backing capital	Assets backing life funds	90:10 exposure	Total
Local assets								
Equities	8	1	5	14	9	1	6	16
Bonds, cash and property	36	17	3	56	41	12	3	56
Other	4	1	1	6	4	1	1	6
Foreign assets								
Equities	4	8	4	16	4	10	3	17
Bonds, cash and property		3	1	4	1		1	2
Other	4			4	3			3
Total	56	30	14	100	62	24	14	100

LIBFIN – SHAREHOLDER INVESTMENT PORTFOLIO RETURN

as at 30 June 2018

Rm	30 June 2018	30 June 2017	12 months 31 December 2017
Realised gross result	880	920	2 328
Taxation	(205)	(230)	(512)
Subordinated notes finance costs ⁽¹⁾		(197)	(432)
Subordinated notes at fair value ⁽¹⁾	(264)		
Expenses (including asset management fees)	(37)	(40)	(77)
Net profit	374	453	1 307
Gross return (%)	3,3	3,4	8,5

⁽¹⁾ Subordinated notes previously measured at amortised cost.

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.

LIBFIN – MARKETS CREDIT PORTFOLIO

as at 30 June 2018

Rm (unless otherwise stated)	30 June 2018	30 June 2017	12 months 31 December 2017
Net earnings from credit portfolio	150	138	330
Total LibFin assets (Rbn)	61	58	62
Credit portfolio assets (Rbn)	45	39	42
Banks, treasuries and shorter dated assets (Rbn)	16	19	20

INDIVIDUAL ARRANGEMENTS – HEADLINE EARNINGS

for the six months ended 30 June 2018

Rm	30 June 2018	30 June 2017	12 months 31 December 2017
Expected profit and premium escalations	1 077	1 030	2 040
Variances, modelling and assumption changes	5	(74)	(144)
New business strain	(379)	(397)	(675)
Project, outperformance incentive and non-cost per policy expenses	(28)	(50)	(286)
Direct Financial Services	(12)	(4)	(8)
Other	(12)	29	176
Earnings before bancassurance	651	534	1 103
Liberty share of credit life bancassurance (net of all taxes)	93	81	167
Complex bancassurance preference dividend	(40)	(18)	(62)
Headline earnings	704	597	1 208

INDIVIDUAL ARRANGEMENTS – KEY PERFORMANCE INDICATORS

as at 30 June 2018

Rm (unless stated otherwise)	30 June 2018	30 June 2017	12 months 31 December 2017
Net customer cash flows	992	896	3 196
Insurance products	750	774	2 846
LISP	242	122	350
Gross sales (excluding LISP)	12 109	13 047	26 895
Indexed new business (excluding LISP)	3 111	3 205	6 570
Value of new business	111	62	155
Retail margin excluding STANLIB (%)	0,8	0,4	0,5
Retail new business margin including STANLIB (%)	0,7	0,4	0,5

INDIVIDUAL ARRANGEMENTS – INDEXED NEW BUSINESS

as at 30 June 2018

Rm	30 June 2018	30 June 2017	12 months 31 December 2017
Individual Arrangements Insurance (excluding emerging consumer market)	2 780	2 843	5 844
Emerging consumer market	125	127	264
Total Individual Arrangements Insurance	2 905	2 970	6 108
Direct Financial Services	36	35	79
STANLIB 'on balance sheet' sales	170	200	383
Total 'on balance sheet' sales	3 111	3 205	6 570
STANLIB 'off balance sheet' sales	1 563	1 298	2 398
GateWay LISP 'off balance sheet' sales	120	101	220
Total Individual Arrangements distribution	4 794	4 604	9 188

INDIVIDUAL ARRANGEMENTS – MAINTENANCE COST PER POLICY

as at 30 June 2018

R	30 June 2018	30 June 2017	12 months 31 December 2017
Valuation basis			
Complex	658	616	636
Simplex	329	308	318
Annuities	329	308	318

INDIVIDUAL ARRANGEMENTS – NEGATIVE RAND RESERVES⁽¹⁾

as at 30 June 2018

Rm	30 June 2018	30 June 2017	12 months 31 December 2017
Published IFRS basis	15 639	16 514	16 767
Statutory basis	6 398	7 177	7 379

⁽¹⁾ Gross of taxation

By their nature "negative rand reserves" includes offsets between policies with positive and negative reserves. The Directive 145 adjustment is applied only to policies with negative reserves.

LIBERTY CORPORATE – HEADLINE EARNINGS

for the six months ended 30 June 2018

Rm	30 June 2018	30 June 2017	12 months 31 December 2017
Gross contribution	589	583	1 072
Underwriting margin	307	247	417
Fee income	278	294	589
Pension businesses and other income	4	42	66
Expenses and other items	(482)	(474)	(960)
Profit before profit	107	109	112
Taxation	(30)	(29)	(31)
Headline earnings	77	80	81

LIBERTY CORPORATE – KEY PERFORMANCE INDICATORS

for the six months ended 30 June 2018

	30 June 2018	30 June 2017	12 months 31 December 2017
Rm (unless stated otherwise)			
Gross sales	988	825	1 905
Indexed new business	516	558	1 171
Value of new business	19	13	57
New business margin (%)	0,4	0,3	0,6
Net customer cash flows	(689)	(1 609)	(1 536)

LIBERTY HEALTH – HEADLINE EARNINGS

for the six months ended 30 June 2018

	30 June 2018	30 June 2017	12 months 31 December 2017
Rm			
Loss before depreciation and amortisation	(60)	(26)	(78)
Amortisation and depreciation	(4)	(6)	(11)
Loss before taxation	(64)	(32)	(89)
Taxation	19	15	35
Headline loss	(45)	(17)	(54)
Headline loss attributable to Liberty	(45)	(19)	(54)

LIBERTY HEALTH COVER PRODUCT – LIVES SERVICED

as at 30 June 2018

Thousands	30 June 2018	31 December 2017	31 December 2016	31 December 2015
Region				
Eastern Africa	51	57	55	48
Western Africa	34	36	35	36
Southern Africa	31	29	31	21
Total	116	122	121	105
Liberty owned licenses	75	79	81	67
Third party licenses	41	43	40	38

LIBERTY AFRICA INSURANCE – HEADLINE EARNINGS

for the six months ended 30 June 2018

Rm	30 June 2018	30 June 2017	12 months 31 December 2017
Insurance entities earnings⁽¹⁾			
Long-term insurance	48	44	100
Short-term insurance	4	32	58
Headline earnings (before head office expenses)	52	76	158
Non-controlling shareholders share of headline earnings	(20)	(21)	(61)
Liberty share of headline earnings	32	55	97
Liberty owned businesses > 3 years	32	53	100
Liberty owned businesses < 3 years		2	(3)
Head office costs	(36)	(35)	(52)
Net headline earnings attributable to Liberty	(4)	20	45

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

LIBERTY AFRICA INSURANCE – KEY PERFORMANCE INDICATORS

for the six months ended 30 June 2018

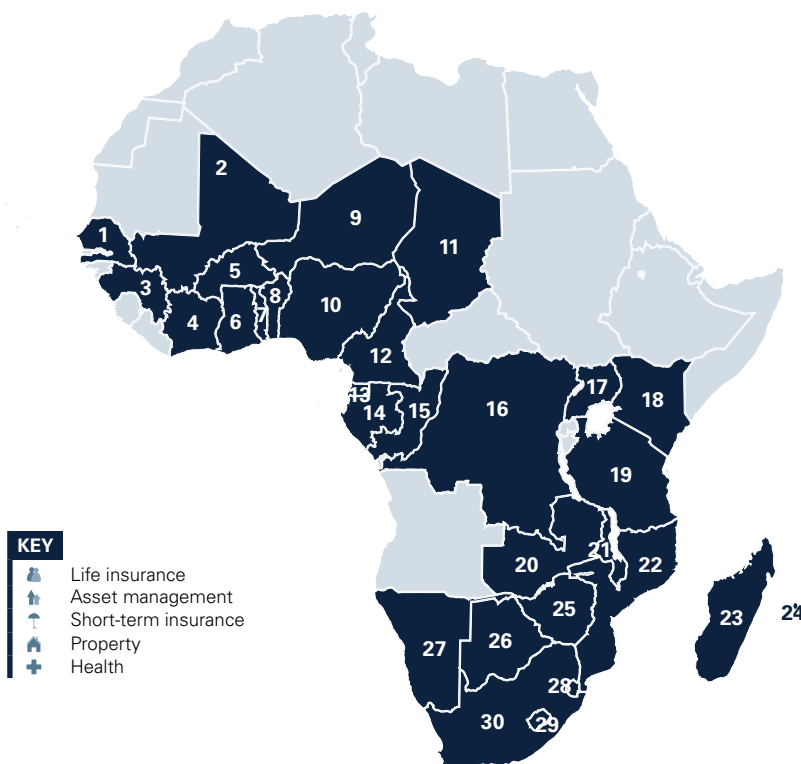
Rm (unless stated otherwise)	30 June 2018	30 June 2017	12 months 31 December 2017
Embedded value of new business written in period	5	11	21
New business margin (%)	1,3	4,3	3,9
Long-term:			
Gross sales	228	220	366
Indexed new business	146	167	277
Net customer cash flows	201	170	324
Short-term:			
Net customer cash flows	107	128	271
Claims loss ratio (%)	57	50	48

LIBERTY AFRICA INSURANCE – LONG-TERM INSURANCE NET CASH FLOWS

for the six months ended 30 June 2018

Rm	30 June 2018	30 June 2017	12 months 31 December 2017
Net premiums by product type			
Retail	263	255	492
Single	28	16	40
Recurring	235	239	452
Institutional	353	350	667
Single	82	58	194
Recurring	271	292	473
Net premium income from insurance contracts and inflows from investment contracts	616	605	1 159
Net claims and policyholders benefits by product type			
Retail	(151)	(137)	(307)
Death, critical illness and disability claims	(30)	(16)	(61)
Policy surrender and maturity claims	(120)	(119)	(242)
Annuity payments	(1)	(2)	(4)
Institutional	(264)	(298)	(528)
Death, critical illness and disability claims	(55)	(84)	(110)
Scheme terminations and member withdrawals	(209)	(214)	(418)
Net claims and policyholders benefits	(415)	(435)	(835)
Net cash flow split as follows:	201	170	324
Retail	112	118	185
Institutional	89	52	139

OUR PRESENCE IN AFRICA



1 Senegal	+
2 Mali	+
3 Guinea Conakry	+
4 Ivory Coast	+
5 Burkina Faso	+
6 Ghana	+, ↑
7 Togo	+
8 Benin	+
9 Niger	+
10 Nigeria	+
11 Chad	+
12 Cameroon	+
13 Equatorial Guinea	+
14 Gabon	+
15 Congo	+
16 Democratic Republic of Congo	+
17 Uganda	+, ↑, ↓
18 Kenya	+, ↑, ↓
19 Tanzania	+, ↑
20 Zambia	+, ↓
21 Malawi	+, ↑
22 Mozambique	+
23 Madagascar	+
24 Mauritius	+
25 Zimbabwe	+
26 Botswana	+, ↑, ↓
27 Namibia	+, ↑, ↓
28 Swaziland	+, ↑, ↓
29 Lesotho	+, ↑, ↓
30 South Africa	+, ↑, ↓

STANLIB SOUTH AFRICA - HEADLINE EARNINGS

for the six months ended 30 June 2018

Rm (unless stated otherwise)	30 June 2018	30 June 2017	12 months 31 December 2017
Net fee income	819	823	1 704
Base fees	819	821	1 676
Performance fees		2	28
Total operating expenses	(671)	(664)	(1 390)
Operating expenses	(646)	(617)	(1 262)
Non-recurring projects and expenses	(25)	(47)	(128)
Profit before investment income	148	159	314
Other income	64	43	57
Profit before taxation	212	202	371
Taxation	(37)	(87)	(119)
Total headline earnings	175	115	252
Average margin (bps)	31	33	32
Average assets under management (Rbn)	557	538	546

STANLIB SOUTH AFRICA - NET CASH FLOWS AND ASSETS UNDER MANAGEMENT BY ASSET CATEGORY

as at 30 June 2018

Rm	Net cash flows			Assets under management		
	6 months 30 June 2018	6 months 30 June 2017	12 months 31 December 2017	30 June 2018	30 June 2017	31 December 2017
Retail	5 127	1 884	6 849	229 770	213 378	228 202
Fixed interest	4 498	2 980	7 846	53 502	44 060	48 940
Equity	(3 429)	(64)	(752)	10 839	12 673	13 504
Property	(345)	375	325	11 265	13 678	14 954
Money Market	(352)	(1 461)	(1 400)	24 437	24 767	24 794
Absolute Return	2 020	464	2 572	7 760	3 785	6 008
Balanced	2 552	(1 110)	(3 818)	26 853	25 687	24 819
International	(592)	(557)	(855)	11 553	11 230	11 308
Retail Life	1	16	20	219	197	211
LISP	916	1 280	3 280	80 606	73 804	80 093
Structured	(142)	(39)	(369)	2 736	3 497	3 571
Institutional	3 273	3 762	(2 118)	110 416	104 386	103 831
Fixed interest	(226)	2 244	(5)	20 415	21 794	19 905
Equity	1 432	284	1 021	10 948	5 549	6 743
Property	1 991	29	(641)	8 696	8 221	8 539
Money Market	(197)	1 402	1 316	56 534	53 047	56 217
Absolute Return	(802)	436	(687)	516	1 584	514
Balanced	949	(623)	(2 481)	10 624	11 278	9 494
International	126	(10)	(641)	2 047	2 297	1 711
Other				636	616	708
Liberty - Delta LISP	(585)	411	483	40 738	38 689	41 877
Liberty - intergroup	(5 605)	(9 100)	(16 346)	178 238	183 019	181 753
Total	2 210	(3 043)	(11 132)	559 162	539 472	555 663

STANLIB SOUTH AFRICA - ASSETS UNDER MANAGEMENT BREAKDOWN BY SOURCE AND ASSET TYPE

as at 30 June 2018

Rm	Money market (including cash)	Fixed interest	Equity	Property	Other	Absolute return	Balanced	International	Structured	Retail life	LISP	Total
30 June 2018												
Retail		49 683	7 657	7 996		6 907	19 657	11 553				103 453
Collective Investments												
Linked Investment and Structured Products									2 736		80 606	83 342
Money market	24 437											24 437
Multi-manager Collective Investments		3 819	3 182	3 269		853	7 196			219		18 538
Institutional												
Segregated funds		20 415	10 948	8 696	636	516	10 624	2 047				53 882
Money market	56 534											56 534
Liberty - Delta LISP											40 738	40 738
Liberty - intergroup	7 452	32 002	57 730	22 156	642	6 235	19 004	31 481	1 536			178 238
STANLIB total	88 423	105 919	79 517	42 117	1 278	14 511	56 481	45 081	4 272	219	121 344	559 162
31 December 2017												
Retail		46 561	11 010	11 102		5 164	19 010	11 308				104 155
Collective Investments												
Linked Investment and Structured Products									3 571		80 093	83 664
Money market	24 794											24 794
Multi-manager Collective Investments		2 379	2 494	3 852		844	5 809			211		15 589
Institutional												
Segregated funds		19 905	6 743	8 539	708	514	9 494	1 711				47 614
Money market	56 217											56 217
Liberty - Delta LISP											41 877	41 877
Liberty - intergroup	5 198	32 877	53 169	24 032	645	6 859	28 441	29 026	1 506			181 753
STANLIB total	86 209	101 722	73 416	47 525	1 353	13 381	62 754	42 045	5 077	211	121 970	555 663

STANLIB SOUTH AFRICA – RETAIL INVESTMENT PERFORMANCE

for the six months ended 30 June 2018

Core retail funds – quartile performance Fund name	Rolling period					
	One year		Three-year		Five-year	
	2018	2017	2018	2017	2018	2017
STANLIB Bond	1	2	1	2	2	2
STANLIB Income	2	1	1	2	1	1
STANLIB Money Market	2	2	2	2	2	2
STANLIB Flexible Income	4	1	4	3	4	3
STANLIB Aggressive Income	4	1	2	1	4	3
STANLIB Property Income	4	1	4	2	3	2
STANLIB SA Equity	2	4	4	4	4	4
STANLIB Equity	2	4	2	3	3	2
STANLIB Balanced	2	4	3	4	3	3
STANLIB Balanced Cautious	4	4	3	3	3	3
STANLIB Absolute Plus	4	1	1	1	2	2

The STANLIB Growth, Stanlib Value, STANLIB Inflation Plus 5% and STANLIB Inflation Plus 3% Funds have been removed from the table as they have been rationalised or are in the process of being rationalised.

STANLIB SOUTH AFRICA – INSTITUTIONAL INVESTMENT PERFORMANCE

for the six months ended 30 June 2018

Survey funds (Alexander Forbes Surveys – quartile performance)	Rolling period					
	One year		Three-year		Five-year	
	2018	2017	2018	2017	2018	2017
Stanlib Core Bond	1	2	1	2	2	2
Money Market	2	3	3	4	4	4
STANLIB Property Income Fund ⁽¹⁾	4		4		4	
Large Manager – Global	4	4	4	4	4	4
Full Global Mandate	4	4	4	4	4	4
Domestic Only Mandate	4	4	4	4	4	4
Stanlib Core Equity	3	4	4	4	4	4
Stanlib Enhanced Index	1	4	4	4	4	4
STANLIB Absolute Plus Fund ⁽¹⁾	4		1		2	

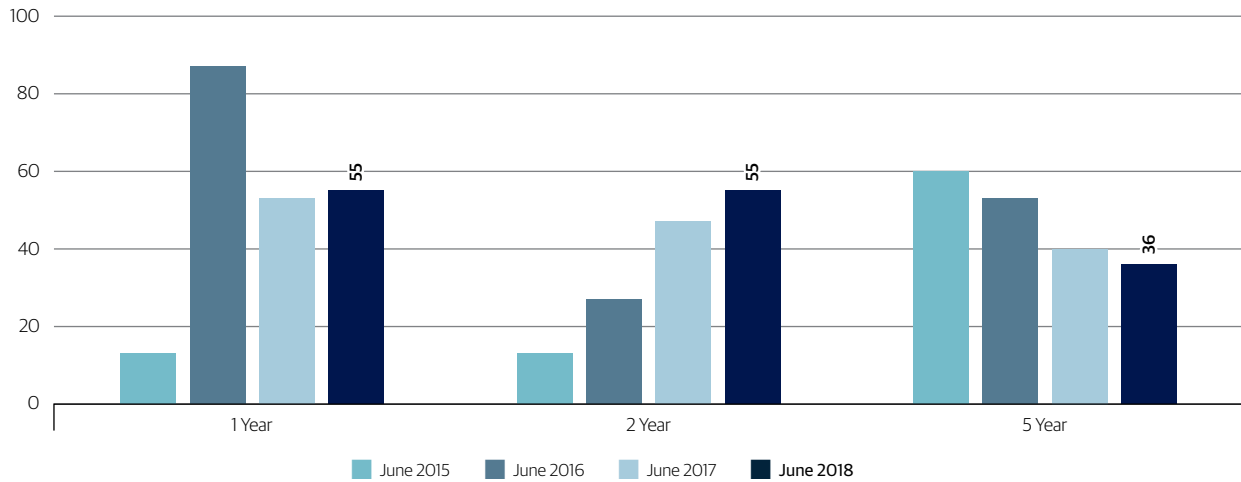
The Stanlib Institutional Property, Stanlib Growth Equity, Stanlib Value, Absolute Return and Domestic Absolute Return Funds have been removed from the table as they have been rationalised or are in the process of being rationalised.

⁽¹⁾ New representative portfolio.

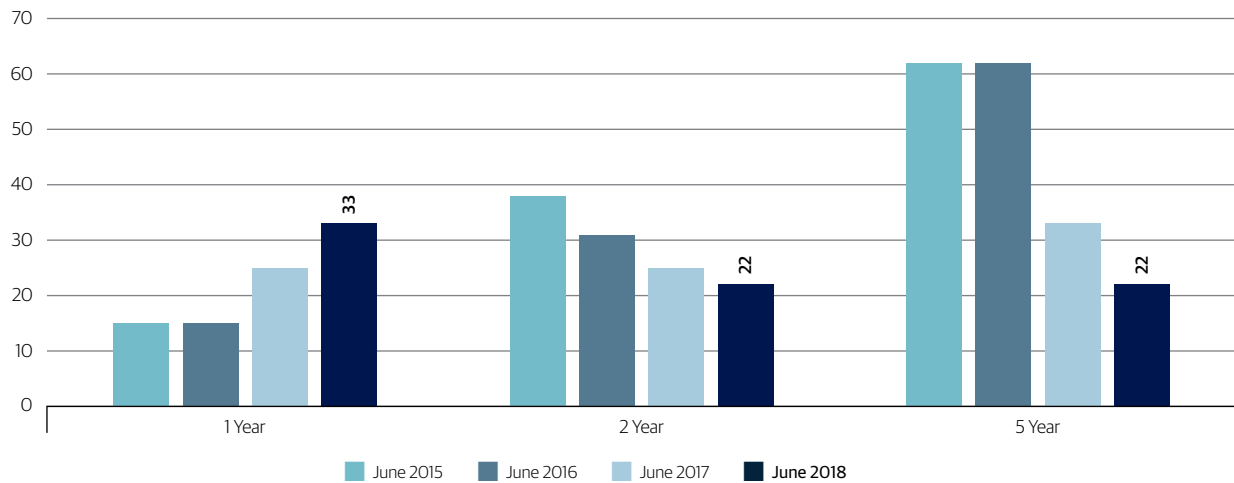
STANLIB SOUTH AFRICA – INVESTMENT PERFORMANCE

as at 30 June 2018

% OF CORE RETAIL PRODUCTS IN 1ST AND 2ND QUARTILE



% OF INSTITUTIONAL FUNDS IN 1ST AND 2ND QUARTILE



STANLIB AFRICA – ASSETS UNDER MANAGEMENT

as at 30 June 2018

	30 June 2018	30 June 2017	12 months 31 December 2017
Assets under management (Rm)			
Opening market value	52 531	50 787	50 787
Net cash inflows	(6 509)	454	(756)
External	(6 994)	444	(480)
Liberty – intergroup	485	10	(276)
Capital appreciation	3 706	1 861	2 500
Closing market value	49 728	53 102	52 531
Segregated funds	29 188	32 746	31 683
Unit trusts	7 835	6 664	7 364
Money market	12 705	13 692	13 484
Total AUM	49 728	53 102	52 531

STANLIB AFRICA – ASSETS UNDER MANAGEMENT BY GEOGRAPHICAL LOCATION

as at 30 June 2018

	30 June 2018	30 June 2017	31 December 2017
Assets under management (Rm)			
Southern region⁽¹⁾	23 903	29 693	30 729
Fixed interest	5 168	6 673	6 395
Equity	6 123	10 539	11 096
Money Market	11 133	11 572	11 587
Other	1 479	909	1 651
Eastern region⁽²⁾	20 070	19 049	17 408
Fixed interest	11 942	10 967	9 939
Equity	4 273	3 347	3 812
Property	2 421	2 979	1 864
Money Market	1 434	1 756	1 793
Western region⁽³⁾	5 755	4 360	4 394
Fixed interest	1 409	1 063	1 018
Money Market	138	364	104
Other	4 208	2 933	3 272
Total assets under management	49 728	53 102	52 531
Combined			
Fixed interest	18 519	18 703	17 352
Equity	10 396	13 886	14 908
Property	2 421	2 979	1 864
Money Market	12 705	13 692	13 484
Other	5 687	3 842	4 923
	49 728	53 102	52 531

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

⁽²⁾ Eastern region includes Kenya and Uganda.

⁽³⁾ Western region is Ghana.

FAIR VALUE MEASUREMENT DISCLOSURES

for the six months ended 30 June 2018

Fair value hierarchy

1 Asset hierarchy

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

30 June 2018 Rm (Unaudited)	Level 1	Level 2	Level 3	Total
Equity instruments	110 874	27	2 979	113 880
Listed equities on the JSE or foreign exchanges	104 677			104 677
Unlisted equities		27	1 663	1 690
Scrip assets – listed equities on the JSE	6 197			6 197
Interests in joint ventures			1 316	1 316
Debt instruments	78 489	51 666	176	130 331
Listed preference shares on the JSE or foreign exchanges	383			383
Unlisted preference shares		113	176	289
Listed term deposits on BESA, JSE or foreign exchanges	72 659	7 578		80 237
Unlisted term deposits		42 544		42 544
Repurchase agreements and collateral assets	5 447	1 431		6 878
Mutual funds⁽¹⁾	3 714	104 359	1 203	109 276
Property	12	4 155		4 167
Equity instruments	622	16 993	534	18 149
Interest-bearing instruments		21 547		21 547
Mixed asset classes	3 080	61 664	669	65 413
Investment policies		7 860	1 329	9 189
Derivative assets held for trading and for hedging		7 051		7 051
Equity instruments		513		513
Currency exchange instruments		1 642		1 642
Interest rate instruments		4 896		4 896
Loan receivables ⁽²⁾			803	803
Properties			34 723	34 723
Total assets subject to fair value hierarchy analysis	193 077	170 963	41 213	405 253
Fair value assets not subject to hierarchy analysis:				
Collateral deposits receivable				2 706
Prepayments, insurance and other receivables				4 914
Cash and cash equivalents				6 396
Total fair value assets				419 269
Other assets not subject to fair value hierarchy analysis:				
Intangible assets				430
Defined benefit pension fund employer surplus				151
Equipment				1 064
Interest in joint venture – equity accounted				66
Deferred taxation				368
Deferred acquisition costs				779
Long-term policyholder assets – insurance contracts				7 159
Reinsurance assets				1 967
Loan receivables				379
Prepayments, insurance and other receivables				2 046
Cash and cash equivalents				3 580
Total assets as per statement of financial position				437 258

⁽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.

⁽²⁾ Certain loan receivables were reclassified as fair value through profit or loss upon adoption of IFRS 9. Previously these were measured at amortised cost.

FAIR VALUE MEASUREMENT DISCLOSURES (CONTINUED)

for the six months ended 30 June 2018

Fair value hierarchy (continued)

1 Asset hierarchy (continued)

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

31 December 2017

Rm (Audited)	Level 1	Level 2	Level 3	Total
Equity instruments	132 122	13	2 902	135 037
Listed equities on the JSE or foreign exchanges	125 243			125 243
Unlisted equities		13	1 709	1 722
Scrip assets – listed equities on the JSE	6 879			6 879
Interests in joint ventures			1 193	1 193
Debt instruments	71 546	50 721	206	122 473
Listed preference shares on the JSE or foreign exchanges	401			401
Unlisted preference shares		135	180	315
Listed term deposits on BESA, JSE or foreign exchanges	67 449	11 235		78 684
Unlisted term deposits		38 026	26	38 052
Repurchase agreements and collateral assets	3 696	1 325		5 021
Mutual funds⁽¹⁾	4 819	94 092	699	99 610
Property	10	1 897		1 907
Equity instruments	816	14 885	347	16 048
Interest-bearing instruments	1	22 173		22 174
Mixed asset classes	3 992	55 137	352	59 481
Investment policies		8 528	1 176	9 704
Derivative assets held for trading and for hedging		6 053		6 053
Equity instruments		380		380
Currency exchange instruments		496		496
Interest rate instruments		5 177		5 177
Properties			34 768	34 768
Total assets subject to fair value hierarchy analysis	208 487	159 407	39 751	407 645
Fair value assets not subject to hierarchy analysis:				
Collateral deposits receivable				1 818
Prepayments, insurance and other receivables				6 361
Cash and cash equivalents				15 169
Total fair value assets				430 993
Other assets not subject to fair value hierarchy analysis:				
Intangible assets				231
Defined benefit pension fund employer surplus				171
Equipment				1 128
Interest in joint venture – equity accounted				51
Deferred taxation				336
Deferred acquisition costs				737
Long-term policyholder assets – insurance contracts				7 484
Reinsurance assets				1 774
Loans and receivables				1 222
Total assets as per statement of financial position				444 127

⁽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)

for the six months ended 30 June 2018

Fair value hierarchy (continued)

2 Liability hierarchy

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

30 June 2018 Rm (Unaudited)	Level 1	Level 2	Level 3	Total
Policyholder long-term investment contract liabilities		101 715		101 715
Third-party financial liabilities arising on consolidation of mutual funds		40 495	1 337	41 832
Financial liabilities ⁽¹⁾		5 387		5 387
Repurchase agreements liabilities		6 404		6 404
Liabilities held for trading and for hedging		8 591		8 591
Total liabilities subject to fair value hierarchy analysis		162 592	1 337	163 929
Fair value liabilities not subject to fair value hierarchy analysis:				
Policyholder long-term insurance contract liabilities - embedded derivatives				1 505
Collateral deposits payable				4 857
Employee benefits				697
Other payables				4 644
Total fair value liabilities				175 632
31 December 2017				
Rm (Audited)				
Policyholder long-term investment contract liabilities		100 519		100 519
Third-party financial liabilities arising on consolidation of mutual funds		48 484	1 229	49 713
Repurchase agreements liabilities		4 671		4 671
Liabilities held for trading and for hedging		6 311		6 311
Total liabilities subject to fair value hierarchy analysis		159 985	1 229	161 214
Fair value liabilities not subject to fair value hierarchy analysis:				
Policyholder long-term insurance contract liabilities - embedded derivatives				1 411
Collateral deposits payable				4 426
Employee benefits				951
Insurance and other payables				11 995
Total fair value liabilities				179 997

⁽¹⁾ Financial liabilities were reclassified as designated fair value through profit or loss upon adoption of IFRS 9. Previously these were measured at amortised cost.

FAIR VALUE MEASUREMENT DISCLOSURES (CONTINUED)

for the six months ended 30 June 2018

Fair value hierarchy (continued)

3 Fair value disclosure of financial assets and liabilities that are measured at amortised cost

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

30 June 2018 Rm (Unaudited)	Amortised cost	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost					
Loan receivables – net carrying value	379	352			352
31 December 2017 Rm (Audited)					
Financial assets measured at amortised cost					
Loans and receivables – net carrying value	1 222	1 137			1 137
Gross carrying value	1 259				
Less: accumulated impairment	(37)				
Financial liabilities measured at amortised cost					
Subordinated notes	5 576	5 681		5 681	
Redeemable preference shares	5	5			5

4 Reconciliation of level 3 assets and liabilities

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

Rm	Unaudited 30 June 2018	Audited 12 months 31 December 2017
Balance at the beginning of the year	39 751	39 113
Fair value adjustment recognised in profit or loss as part of investment gains ⁽¹⁾	(147)	71
Fair value adjustment recognised in other comprehensive income ⁽¹⁾	18	(67)
IFRS 9 reclassification from amortised cost to fair value through profit and loss of loan receivables	894	
Reclassification to level 3 ⁽²⁾		26
Foreign currency translation	29	(26)
Additions	666	811
Disposals	(112)	(128)
Movements on third-party share of financial instruments in mutual funds	114	(49)
Balance at the end of the year	41 213	39 751
Properties	34 723	34 768
Financial instruments – equity and mutual funds	4 182	3 601
Financial instruments – debt	176	206
Financial instruments – loan receivables	803	
Financial instruments – investment policies	1 329	1 176

⁽¹⁾ Included in the fair value adjustments is a R165 million unrealised loss (31 December 2017: R1 656 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 balance is currently immaterial and therefore a reconciliation is not provided.

FAIR VALUE MEASUREMENT DISCLOSURES (CONTINUED)

for the six months ended 30 June 2018

Fair value hierarchy (continued)

5 Sensitivity analysis of level 3 assets

5.1 Investment and owner-occupied property

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

The exit capitalisation rates applied at 30 June 2018 range between 6,3% and 11% (31 December 2017: between 6,3% and 11%). This compares to the ten year government yield of 8,84% (31 December 2017: 8,06%). The non-observable adjustments included in the valuation can therefore be referenced to the variance to the ten year government 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.

The tables below indicates the sensitivity of the aggregate market values for a 1% change in the exit capitalisation rate.

30 June 2018 Rm (Unaudited)	Change in exit capitalisation rate		
	Total	1% increase	1% decrease
Properties below 6,8% capitalisation rate	26 001	22 475	30 840
Properties between 6,8 – 8,5% capitalisation rate	5 040	4 440	5 831
Properties between 8,6 – 11,0% capitalisation rate	3 682	2 405	4 075
Total	34 723	29 320	40 746
31 December 2017			
Rm (Audited)			
Properties below 6,8% capitalisation rate	26 157	22 029	30 969
Properties between 6,8% – 8,5% capitalisation rate	5 177	4 558	5 991
Properties between 8,6% – 11,0% capitalisation rate	3 434	3 094	3 858
Total	34 768	29 681	40 818

The table below indicates the sensitivity of the aggregate market values for a 0,5% change in the discount rate.

30 June 2018 Rm (Unaudited)	Change in discount rate		
	Total	0,5% increase	0,5% decrease
Total properties	34 723	34 118	35 382
31 December 2017			
Rm (Audited)			
Total properties	34 768	34 063	35 414

FAIR VALUE MEASUREMENT DISCLOSURES (CONTINUED)

for the six months ended 30 June 2018

Fair value hierarchy (continued)

5.2 Financial instrument assets

	Unaudited 30 June 2018		Audited 31 December 2017	
	Rm	Discount rate %	Rm	Discount rate %
Equities and mutual funds				
Unlisted equities	1 663	14 - 35	1 709	14 - 35
Interests in joint venture	1 316	14	1 193	14
Mutual funds	1 203	15 - 19	699	15 - 19
Investment policies	1 329	11	1 176	11
Debt				
Unlisted preference shares	176	12	180	12
Unlisted term deposits			26	
Loan receivables	803	12		

Approximately 99% (31 December 2017: 99%) of these assets are allocated to policyholder investment-linked portfolios and therefore changes in estimates would be offset by equal changes in liability values.

	Unaudited 30 June 2018			Audited 31 December 2017		
	Net shareholder exposure Rm	Change in discount rate		Net shareholder exposure Rm	Change in discount rate	
1% increase Rm		1% decrease Rm	1% increase Rm		1% decrease Rm	
After tax net impact to profit or loss and shareholder equity	372	(22)	26	372	(22)	26

FAIR VALUE MEASUREMENT DISCLOSURES (CONTINUED)

for the six months ended 30 June 2018

Fair value hierarchy (continued)

6 Group's valuation process

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

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

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

INSTRUMENT	VALUATION BASIS/TECHNIQUES	MAIN ASSUMPTIONS
Unlisted preference shares	Discounted cash flow model (DCF)	Bond and interbank swap interest rate curves Agreement interest rate curves Issuer credit ratings Liquidity spreads
Unlisted term deposits, illiquid listed term deposits and senior secured term facility	DCF	Bond and interbank swap interest rate curves Issuer credit ratings Liquidity spreads
Mutual funds	Quoted put (exit) price provided by the fund manager	Price - not applicable Notice period - bond interest rate curves
Investment policies	Quoted put/surrender price provided by the issuer, adjusting for any applicable notice periods (DCF)	Price - not applicable Bond interest rate curves
Derivative assets and liabilities	Option pricing models DCF	Volatility and correlation factors Bond and interbank swap interest rate curves Forward equity and currency rates
Policyholder investment contracts liabilities - unit-linked policies - annuity certain	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
	DCF	Bond and interbank swap interest rate curves Own credit/liquidity
Subordinated notes	DCF	3-month JIBAR (floating rate notes) Bond spread (Own credit/liquidity)
Commercial paper	DCF	Discount curve Credit spread
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)

for the six months ended 30 June 2018

Fair value hierarchy (continued)

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

INSTRUMENT	VALUATION BASIS/TECHNIQUES	MAIN ASSUMPTIONS
Investment and owner-occupied properties	DCF	Exit 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% - 2,5%) 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
Loan receivables	DCF	Prime interest rate Term
Third-party financial liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable

CONTACT DETAILS

Financial Director

Yuresh Maharaj
Tel: +27 (11) 408 3680
yuresh.maharaj@liberty.co.za

Executive: Group Finance

Michael Norris
Tel: +27 (11) 408 1224
michael.norris@liberty.co.za

Investor Relations

Sharon Steyn
Tel: +27 (11) 408 3063
sharon.steyn@liberty.co.za
investorrelations@liberty.co.za

Company Secretary

Jill Parratt
Tel: +27 (11) 408 4275
jill.parratt@liberty.co.za

Website: www.libertyholdings.co.za
Customer Call Centre Tel: 0860 456 789

Head Office and Registered Address

Liberty Life Centre, 1 Ameshoff Street
Braamfontein, Johannesburg 2001
Postal address: PO Box 10499, Johannesburg 2000
Tel: +27 (11) 408 3911
Registration number: 1968/002095/06

Auditors

PricewaterhouseCoopers Inc.
4 Lisbon Lane, Waterfall City,
Jukskei View 2090
Tel: +27 (11) 797 4000

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg 2196
Tel: +27 (11) 370 5000



LIBERTY

www.libertyholdings.co.za