



LIBERTY

Liberty Holdings Limited

Supplementary
information

For the year ended 31 December

2018

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ANALYSIS OF ORDINARY SHAREHOLDERS' EQUITY

for the year ended 31 December 2018

| Rm | Group funds invested | | Contribution to earnings | |
|---|----------------------|---------|--------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| South African Insurance Operations⁽¹⁾ | 18 088 | 18 412 | 2 259 | 2 972 |
| Insurance operating surplus | | | 1 647 | 1 808 |
| Present value of in-force business | 7 | 12 | (5) | (5) |
| Investment portfolios | 15 029 | 17 235 | 984 | 1 480 |
| Fixed assets and working capital | 8 684 | 6 665 | | |
| Subordinated notes (excluding accrued interest) ⁽²⁾ | | (5 500) | | (311) |
| Subordinated notes at fair value ⁽²⁾ | (5 632) | | (367) | |
| South African Asset Management | | | | |
| STANLIB South Africa | 852 | 795 | 355 | 252 |
| Africa regions | 1 298 | 1 212 | (107) | (269) |
| Liberty Africa Insurance | 926 | 797 | (19) | (15) |
| STANLIB Africa | 84 | 106 | 27 | 22 |
| Operations under ownership review ⁽³⁾ | 288 | 309 | (115) | (276) |
| Central costs and sundry income | | | (206) | (198) |
| Liberty Holdings Limited | 1 731 | 1 398 | | |
| Operations under ownership review⁽³⁾ | 94 | 30 | (51) | (46) |
| Liberty Two Degrees consolidation adjustment^{(4),(5)} | 940 | 597 | 397 | 543 |
| Preference share dividend | | | (2) | (2) |
| Headline earnings | | | 2 645 | 3 252 |
| Preference share dividend | | | 2 | 2 |
| Impairment of intangible assets (net of tax) | | | | (136) |
| Remeasurement of disposal groups classified as held for sale | | | (249) | |
| Liberty Holdings shareholders' equity/total earnings | 23 003 | 22 444 | 2 398 | 3 118 |
| Normalised | | | | |
| Liberty Holdings shareholders' equity/headline earnings | 23 003 | 22 444 | 2 645 | 3 252 |
| BEE preference shares | 99 | 123 | 8 | 10 |
| Liberty Two Degrees normalisation adjustment ^{(4),(5)} | (522) | (340) | (397) | (543) |
| Normalised shareholders' equity/headline earnings | 22 580 | 22 227 | 2 256 | 2 719 |

⁽¹⁾ Reconciliation to the Liberty Group Limited IFRS shareholders' equity:

| Rm | 2018 | 2017 |
|--|---------------|--------|
| Liberty Group Limited group's IFRS shareholders' equity | 19 020 | 18 412 |
| Insurance group funds | 18 088 | 18 412 |
| Liberty Two Degrees ⁽⁵⁾ | 932 | |

⁽²⁾ Subordinated notes previously measured at amortised cost.

⁽³⁾ The cash-generating units impacted are asset management operations in Ghana, Uganda, Kenya and Botswana, Health solutions, the short-term insurance technology start up and short-term insurance in Malawi and Namibia. Under IFRS these are disclosed as disposal groups classified as held for sale.

⁽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 shares multiplied by the number of shares in issue to Liberty at the end of the period. Comprises R932 million at Liberty Group Limited level plus additional R8 million at a Liberty group level.

ANALYSIS OF GROUP EARNINGS – CORE EARNINGS

for the year ended 31 December 2018

| Rm | 2018 | 2017 |
|--|--------------|-------|
| South African operations | | |
| South African Insurance Operations | 2 652 | 2 590 |
| SA Retail planned margin release including annual contribution increases | 2 028 | 1 971 |
| SA Retail credit life | 201 | 167 |
| SA Retail VIF amortisation | (5) | (5) |
| Liberty Corporate | 52 | 81 |
| LibFin Markets | 376 | 376 |
| Expected long-term rate of return on Shareholder Investment Portfolio⁽¹⁾ | 1 389 | 1 464 |
| South African Asset Management | | |
| STANLIB South Africa | 380 | 445 |
| Africa regions | 8 | (50) |
| Liberty Africa Insurance | (19) | (11) |
| Liberty Health | | (54) |
| STANLIB Africa | 27 | 15 |
| Central costs and sundry income | (200) | (236) |
| Centre costs and sundry income | (208) | (246) |
| BEE preference share income | 8 | 10 |
| Core operating earnings | 4 229 | 4 213 |
| SA Retail new business strain | (667) | (675) |
| SA Retail operating variances, assumption changes and other | 24 | (250) |
| Adjusted core operating earnings | 3 586 | 3 288 |
| Operations under ownership review ⁽²⁾ | (166) | |
| Variance to long-term rate of return on Shareholder Investment Portfolio | (1 139) | (157) |
| STANLIB South Africa sustainable earnings adjustment | (25) | (193) |
| STANLIB Africa sustainable earnings adjustment | | (219) |
| Normalised headline earnings | 2 256 | 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⁾ The cash-generating units impacted are asset management operations in Ghana, Uganda, Kenya and Botswana, Health solutions, the short-term insurance technology start up and short-term insurance in Malawi and Namibia. Under IFRS these are disclosed as disposal groups classified as held for sale.

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

for the year ended 31 December 2018

1. Description of embedded value of South African covered business

The prudential regulatory regime governing South African assurance companies changed on 1 July 2018. This has necessitated a change to Liberty's embedded value methodology, in particular:

- The assessment of the net worth and value of in-force covered business has been changed to reference the published liabilities in order to improve alignment between the embedded value and published reporting bases. This change has led to an increase in the net worth and a decrease in the value of in-force; and
- The approach used for assessing the cost of required capital has been adjusted to reflect the new solvency regime which has led to an increase in the cost of required capital.

The impact of this change is an increase in embedded value of R139 million and has been assessed as at 31 December 2017. Embedded value earnings and value of new business for 2018 are reported on the revised basis. 2017 comparatives for embedded value earnings have not been restated.

The table below provides an indication of the impact of this change on the components of the embedded value earnings analysis in section 4:

| | Net worth | Value of in-force | Cost of required capital | Embedded value earnings |
|--|---|---|--|-------------------------|
| Value of new business written in the year | Less new business strain due to lower liabilities raised at point of sale | Smaller value of in-force contributed due to up-fronting of earnings into new business strain | Greater cost of required capital allocated to new business | Broadly similar |
| Expected return on value of in-force business | | Decrease due to lower value of in-force | Larger unwind due to larger absolute level of cost | Decrease |
| Expected net of tax profit transfer to net worth | Smaller expected transfer from value of in-force to net worth due to smaller margins in liabilities | | | Neutral |
| Operating experience variances and assumption changes | More sensitive due to additional up-fronting of earnings | Less sensitive due to smaller size of value of in-force | Variable | Broadly similar |
| Return on net worth | Increase due to size of net worth, improved alignment with published earnings | | | Increase |
| Investment variances | Reduced volatility due to better alignment with hedging programme | Broadly similar | Variable | Variable |

The current version of Advisory Practice Note (APN) 107 became effective for financial years ending on or after 31 December 2018. 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 published basis, adjusted for the elimination of the carrying value of covered business acquired, removal of the value of any deferred acquisition cost (DAC) and deferred revenue liability (DRL) and 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 published valuation basis. Covered business is defined as business regulated by the Prudential Authority as long-term insurance business written in Liberty Group Limited.

The required capital is defined as the level of capital that is restricted from distribution to shareholders, comprising an assessment of the likely long-term regulatory capital requirements and any additional capital considered appropriate by the board given the risks in the business. Required capital has been set in line with risk appetite, adjusted for differences between the published and regulatory balance sheet. 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.

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 2018

1. Description of embedded value of South African covered business (continued)

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 on the published basis, reduced by the cost of required capital allocated to new business. When assessing the cost of required capital, allowance is made for diversification benefits between new and existing business. 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 end of period 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.

2. Normalised embedded value

| Rm (unless otherwise stated) | 2018 | 2017 |
|---|---------------|---------------|
| Risk discount rate % ⁽¹⁾ | 12,22 | 11,79 |
| Net worth | 17 706 | 11 134 |
| Ordinary shareholders' funds on published basis | 19 020 | 18 412 |
| BEE preference share funding | 99 | 123 |
| Adjustment of ordinary shareholders' funds from published basis ⁽²⁾ | (328) | (7 253) |
| Liberty Two Degrees normalisation ⁽³⁾ | (932) | |
| Adjustment for carrying value of in-force business acquired ⁽⁴⁾ | (7) | (12) |
| Allowance for fair value of share rights | (46) | (36) |
| Frank Financial Services allowance for future expenses | (100) | (100) |
| Net value of life business in-force | 15 981 | 23 447 |
| Value of life business in-force | 19 019 | 25 137 |
| Cost of required capital | (3 038) | (1 690) |
| Normalised embedded value | 33 687 | 34 581 |
| 3. Normalised embedded value earnings | | |
| Embedded value at the end of the period | 33 687 | 34 581 |
| Intragroup dividends ⁽⁵⁾ | 2 252 | 2 600 |
| Funding of restricted share plan | 80 | 92 |
| Beginning of year IFRS 9 transition adjustment | 121 | |
| Beginning of year adjustment for introduction of new prudential regime ⁽⁶⁾ | (139) | |
| Embedded value at the beginning of the period | (34 581) | (34 470) |
| Embedded value earnings | 1 420 | 2 803 |
| Return on embedded value (%) | 4,1 | 8,2 |

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 2018

4. Analysis of normalised embedded value earnings

| Rm | 2018 | | | | 2017 | | | |
|---|--------------|------------------------------------|--------------------------|----------------|--------------|------------------------------------|--------------------------|----------------|
| | Net worth | Value of in-force covered business | Cost of required capital | Embedded value | Net worth | Value of in-force covered business | Cost of required capital | Embedded value |
| Embedded value at the end of the period | 17 706 | 19 019 | (3 038) | 33 687 | 11 134 | 25 137 | (1 690) | 34 581 |
| Intragroup dividends ⁽⁵⁾ | 2 252 | | | 2 252 | 2 600 | | | 2 600 |
| Funding of restricted share plan | 80 | | | 80 | 92 | | | 92 |
| Beginning of year | | | | | | | | |
| IFRS 9 transition adjustment | 121 | | | 121 | | | | |
| Beginning of year adjustment for introduction of new prudential regime ⁽⁶⁾ | (6 932) | 5 300 | 1 493 | (139) | | | | |
| Embedded value at the beginning of the period | (11 134) | (25 137) | 1 690 | (34 581) | (11 717) | (24 394) | 1 641 | (34 470) |
| Embedded value earnings | 2 093 | (818) | 145 | 1 420 | 2 109 | 743 | (49) | 2 803 |
| Components of embedded value earnings | | | | | | | | |
| Value of new business written in the period | (868) | 1 405 | (193) | 344 | (1790) | 2 092 | (90) | 212 |
| Expected return on value of in-force business ⁽⁷⁾ | | 2 312 | 121 | 2 433 | | 2 888 | 38 | 2 926 |
| Expected net of tax profit transfer to net worth | 3 160 | (3 160) | | | 4 112 | (4 112) | | |
| Variations/changes in operating assumptions | 290 | 161 | 56 | 507 | 110 | (8) | 7 | 109 |
| Operating experience variances ⁽⁸⁾ | 253 | 114 | 56 | 423 | 225 | 105 | | 330 |
| Operating assumption changes ⁽⁹⁾ | 52 | 51 | | 103 | (45) | 75 | | 30 |
| Changes in modelling methodology ⁽¹⁰⁾ | (15) | (4) | | (19) | (70) | (188) | 7 | (251) |
| Development expenses | (9) | | | (9) | (55) | | | (55) |
| New operating model - expense impact ⁽¹¹⁾ | (332) | (40) | | (372) | | | | |
| Intragroup transfers | | | | | 46 | | | 46 |
| Embedded value earnings from operations | 2 241 | 678 | (16) | 2 903 | 2 423 | 860 | (45) | 3 238 |
| Economic adjustments | (138) | (1 496) | 161 | (1 473) | (311) | (117) | (4) | (432) |
| Return on net worth and other adjustments ⁽¹²⁾ | 2 | | | 2 | (14) | | | (14) |
| Investment variances ⁽¹³⁾ | (250) | (1 149) | 174 | (1 225) | (393) | (201) | | (594) |
| Changes in economic assumptions ⁽¹⁴⁾ | 110 | (347) | (13) | (250) | 96 | 84 | (4) | 176 |
| Change in allowance for fair value of share rights ⁽¹⁵⁾ | (10) | | | (10) | (3) | | | (3) |
| Normalised embedded value earnings | 2 093 | (818) | 145 | 1 420 | 2 109 | 743 | (49) | 2 803 |

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 2018

5. Notes to embedded value

- (1) Certain books of business are valued with reference to the entire yield curve while others are valued with reference to the market yield on medium-term South African government stock as shown below.

| % | Investment return p.a. | |
|---|------------------------|-------|
| | 2018 | 2017 |
| Government stock | 9,42 | 8,99 |
| Equities | 12,92 | 12,49 |
| Property | 10,42 | 9,99 |
| Cash | 7,92 | 7,49 |
| The risk discount rate has been set equal to the risk-free rate plus 80% of the equity risk premium | 12,22 | 11,79 |
| Maintenance expense inflation rate | 7,67 | 7,24 |

- (2) In the current period the amount represents the removal of the DAC and DRL that is held on the published basis. In addition to the above, in the prior period this item also included the difference in the shareholder funds as a result of moving from the published basis to the previous statutory valuation basis. This was largely due to the elimination of certain negative rand reserves on the statutory valuation basis. In both instances the reduction in net worth results in an increase in the value of in-force.
- (3) This represents the difference between Liberty's share of the net asset value of L2D as at the reporting date and the listed price of L2D shares multiplied by the number of shares in issue to Liberty at the reporting date. Adjusting the valuation from net asset value to share price is required to ensure consistency between policyholder liabilities and their backing assets, and to provide a market consistent valuation of the L2D shares held within the shareholder investment portfolio. In the prior period this adjustment was applied at a Liberty Holdings level. As a result of the transaction between L2D and Liberty Group Limited in 2018 and the consequential reassessment of control as defined under IFRS this adjustment is now required at a Liberty Group Limited consolidated level.
- (4) 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 in-force covered business. The net adjustment was R7 million (31 December 2017: R12 million).
- (5) These are dividends paid by Liberty Group Limited to Liberty Holdings Limited.
- (6) This adjustment and the consequential impact on the components of the embedded value earnings analysis are explained in section 1.
- (7) The expected return on the value of in-force covered business is obtained by applying the previous year's risk discount rate to the value of in-force covered business 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 year ended 31 December 2018

5. Notes to embedded value (continued)

- (8) 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 31 December 2018 operating experience variance of R423 million (31 December 2017: R330 million) comprised:

| Operating experience variances (Rm) | Net worth | Value of in-force covered business | Cost of required capital | Embedded value |
|-------------------------------------|------------|------------------------------------|--------------------------|----------------|
| 2018 | | | | |
| SA Retail | 263 | 57 | 56 | 376 |
| Mortality and morbidity | 189 | 61 | | 250 |
| Policyholder behaviour | (115) | 50 | | (65) |
| Other ⁽ⁱ⁾ | 189 | (54) | 56 | 191 |
| Liberty Corporate | (140) | 57 | | (83) |
| Credit portfolio variance | 130 | | | 130 |
| Total | 253 | 114 | 56 | 423 |
| 2017 | | | | |
| SA Retail | 117 | 140 | | 257 |
| Mortality and morbidity | 255 | 78 | | 333 |
| Policyholder behaviour | (8) | 93 | | 85 |
| Other ⁽ⁱⁱ⁾ | (130) | (31) | | (161) |
| Liberty Corporate | (70) | (35) | | (105) |
| Credit portfolio variance | 178 | | | 178 |
| Total | 225 | 105 | | 330 |

(i) The amount of R189 million relates to tax and other miscellaneous variances.

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

- (9) The amount of R103 million (31 December 2017: R30 million) is due to a number of assumption changes including demographic, expense and tax assumptions.
- (10) The amount of negative R19 million (31 December 2017: negative R251 million) is due to a number of offsetting modelling changes.
- (11) This is the anticipated impact of reserving for expenses that currently reside in Liberty Holdings Limited that will be transferred to Liberty Group Limited with effect 1 January 2019, in line with the change to the group's operating model which came into effect on the same date.
- (12) Reconciliation of embedded value return on net worth and other adjustments to LibFin Investments earnings:

| Rm | 2018 | 2017 |
|---|----------|-------------|
| LibFin Investments after consolidation of L2D | 250 | 1 307 |
| Adjustment to reflect L2D at listed share price | (207) | (394) |
| LibFin Investments earnings | 43 | 913 |
| Adjustments for differences between the statutory and published basis | | (604) |
| 90:10 book | 27 | (194) |
| Frank Financial Services | (39) | (50) |
| Bancassurance obligations relating to Liberty Africa and STANLIB ⁽ⁱ⁾ | | (54) |
| BEE preference scheme | 8 | 7 |
| Central treasury investments | 61 | 115 |
| Software asset impairment | | (71) |
| Other | (98) | (76) |
| Return on net worth and other adjustments | 2 | (14) |

(i) This item is now settled in the underlying entity.

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 2018

5. Notes to embedded value (continued)

- (13) The amount of negative R1 225 million (31 December 2017: negative R594 million) arises from the negative investment variance on the 90:10 book (both in net worth and value of in-force) and the loss of expected future fee income in the value of in-force on investment linked business.
- (14) The amount of negative R250 million (31 December 2017: R176 million) relates to changes in economic assumptions as described in note (1).
- (15) The amount of negative R10 million (31 December 2017: negative R3 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 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. No adjustment has been made for the discounting of tax provisions in the embedded value.

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

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

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.

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 2018

6. 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 liabilities and required capital as at the valuation date has been kept constant. Certain of the sensitivities not only change future experience but also future reserving levels and this has been captured through the change in the value of in-force covered business. Management action has been assumed for demographic sensitivities on risk contracts where appropriate. Sensitivities are calculated independently of each other.

| Rm | Value of in-force life business less cost of required capital at 31 December 2018 | Value of new business written in 2018 |
|---|---|---------------------------------------|
| Base value | 15 981 | 344 |
| Value of in-force/new business | 19 019 | 537 |
| Cost of required capital | (3 038) | (193) |
| 100 basis point increase in risk discount rate | 14 251 | 216 |
| Value of in-force/new business | 17 954 | 450 |
| Cost of required capital | (3 703) | (234) |
| 100 basis point decrease in interest rate environment | 16 385 | 456 |
| Value of in-force/new business | 19 391 | 648 |
| Cost of required capital | (3 006) | (192) |
| 10% fall in equity and property market values | 15 435 | |
| Value of in-force | 18 473 | |
| Cost of required capital | (3 038) | |
| 100 basis point increase in equity and property returns | 17 004 | 386 |
| Value of in-force/new business | 19 624 | 552 |
| Cost of required capital | (2 620) | (166) |
| 10% decrease in maintenance expenses | 16 889 | 422 |
| Value of in-force/new business | 19 927 | 615 |
| Cost of required capital | (3 038) | (193) |
| 10% decrease in new business acquisition expenses (other than commissions) | | 478 |
| Value of new business | | 671 |
| Cost of required capital | | (193) |
| 10% decrease in withdrawal rates | 17 624 | 528 |
| Value of in-force/new business | 20 662 | 721 |
| Cost of required capital | (3 038) | (193) |
| 5% decrease in mortality and morbidity for life assurance business | 17 464 | 468 |
| Value of in-force/new business | 20 502 | 661 |
| Cost of required capital | (3 038) | (193) |
| 5% decrease in mortality for annuity business | 15 751 | 339 |
| Value of in-force/new business | 18 789 | 532 |
| Cost of required capital | (3 038) | (193) |

BANCASSURANCE – BENEFIT TO LIBERTY

as at 31 December 2018

| Liberty share (Rm) | 2018 | 2017 |
|---|-------------|-------|
| Credit Life | | |
| IFRS headline earnings | 201 | 167 |
| Embedded value of in-force contracts | 505 | 506 |
| Other insurance products | | |
| Embedded value of new business | 49 | 32 |
| Embedded value of in-force contracts ⁽¹⁾ | 811 | 1 198 |
| STANLIB | | |
| Net service fees on assets under management sourced from Standard Bank distribution | 460 | 422 |

⁽¹⁾ 2018 was impacted by the change in embedded value methodology for the South African covered business.

90:10 SHAREHOLDER EXPOSURE

as at 31 December 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 | 2018 | 2017 |
|--|--------------|-------|
| Exposure as at the beginning of the period | 3 920 | 4 142 |
| Expected earnings | 287 | 303 |
| Variance | (314) | (109) |
| Total net earnings | (27) | 194 |
| Exposure as at the end of the period | 3 472 | 3 920 |

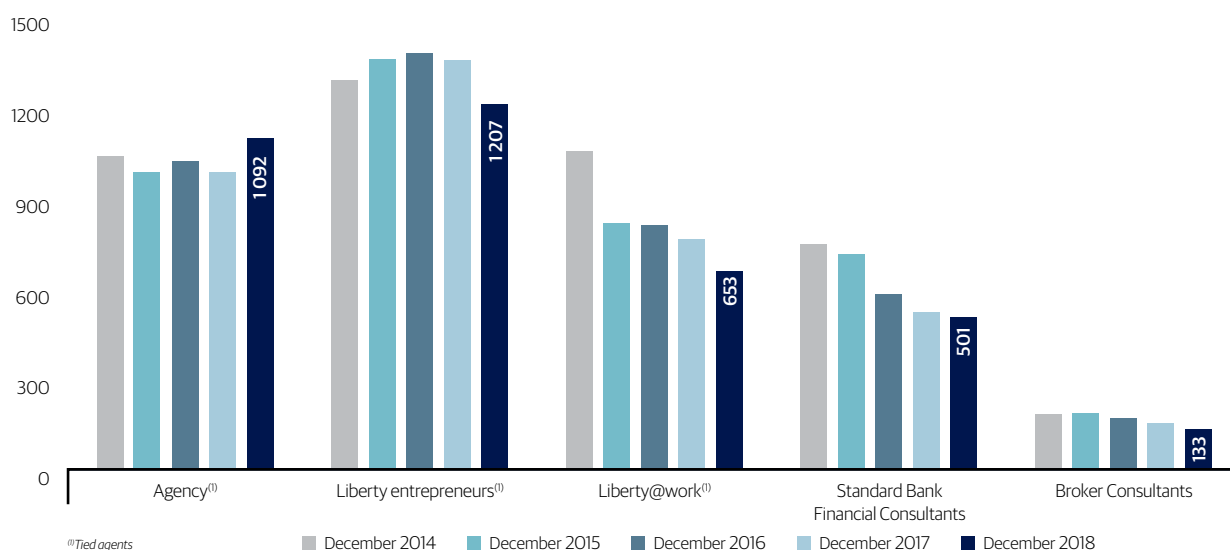
LONG-TERM POLICYHOLDER LIABILITIES IFRS RECONCILIATION

as at 31 December 2018

| Rm | 2018 | 2017 |
|---|----------------|----------------|
| Policyholder liabilities at beginning of the period net of reinsurance | 314 616 | 299 119 |
| Policyholder liabilities | 322 918 | 307 230 |
| Reinsurance liabilities | 663 | 555 |
| Policyholder assets | (7 484) | (7 314) |
| Reinsurance assets | (1 481) | (1 352) |
| Transfers to policyholder liabilities | (12 157) | 15 767 |
| Net premium income from insurance contracts and inflows from investment contracts | 55 075 | 54 140 |
| Net insurance premiums | 37 174 | 36 723 |
| Fund inflows from investment contracts | 17 901 | 17 417 |
| Investment returns | 1 485 | 31 102 |
| Net claims and policyholder benefits | (53 073) | (52 506) |
| Net insurance claims | (36 990) | (36 133) |
| Fund outflows from investment contracts | (16 083) | (16 373) |
| Acquisition costs | (3 831) | (4 326) |
| Management expenses, finance costs and profit share allocations | (9 916) | (9 441) |
| Taxation | (876) | (1 906) |
| Operating profit from insurance operations | (1021) | (1 296) |
| Foreign currency translation reserve | 411 | (270) |
| Policyholder liabilities at end of period net of reinsurance | 302 870 | 314 616 |
| Policyholder liabilities | 310 994 | 322 918 |
| Reinsurance liabilities | 283 | 663 |
| Policyholder assets | (6 708) | (7 484) |
| Reinsurance assets | (1 699) | (1 481) |

SOUTH AFRICAN INSURANCE DISTRIBUTION HEADCOUNT

as at 31 December 2018



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

for the year ended 31 December 2018

| Rm | Recurring premiums | | Single premiums | | Total premiums | | Indexed premiums | |
|-----------------------------------|--------------------|--------------|-----------------|---------------|----------------|---------------|------------------|--------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Retail | 5 899 | 5 817 | 22 131 | 22 660 | 28 030 | 28 477 | 8 112 | 8 084 |
| Broker | 1 149 | 1 236 | 5 552 | 5 527 | 6 701 | 6 763 | 1 704 | 1 789 |
| Bancassurance | 2 787 | 2 601 | 6 126 | 6 519 | 8 913 | 9 120 | 3 399 | 3 253 |
| Tied channels ⁽²⁾ | 1 717 | 1 732 | 10 179 | 10 359 | 11 896 | 12 091 | 2 736 | 2 768 |
| Other | 246 | 248 | 274 | 255 | 520 | 503 | 273 | 274 |
| Institutional | 1 211 | 1 196 | 1 166 | 838 | 2 377 | 2 034 | 1 328 | 1 280 |
| Broker | 740 | 691 | 515 | 398 | 1 255 | 1 089 | 792 | 731 |
| Bancassurance | 17 | 22 | 17 | 22 | 17 | 22 | 17 | 22 |
| Tied channels ⁽²⁾ | 443 | 462 | 583 | 419 | 1 026 | 881 | 501 | 504 |
| Other | 11 | 21 | 68 | 21 | 79 | 42 | 18 | 23 |
| Total new business | 7 110 | 7 013 | 23 297 | 23 498 | 30 407 | 30 511 | 9 440 | 9 364 |
| Split between: | | | | | | | | |
| South Africa⁽¹⁾ | | | | | | | | |
| SA Retail | 5 687 | 5 657 | 21 962 | 22 583 | 27 649 | 28 240 | 7 884 | 7 916 |
| Broker | 1 143 | 1 234 | 5 483 | 5 527 | 6 626 | 6 761 | 1 691 | 1 787 |
| Bancassurance | 2 722 | 2 547 | 6 111 | 6 494 | 8 833 | 9 041 | 3 333 | 3 196 |
| Tied channels ⁽²⁾ | 1 585 | 1 652 | 10 177 | 10 359 | 11 762 | 12 011 | 2 604 | 2 688 |
| Other | 237 | 224 | 191 | 203 | 428 | 427 | 256 | 245 |
| Liberty Corporate | 1 077 | 1 089 | 1 151 | 816 | 2 228 | 1 905 | 1 192 | 1 171 |
| Broker | 675 | 648 | 500 | 376 | 1 175 | 1 024 | 725 | 686 |
| Bancassurance | 17 | 22 | 17 | 22 | 17 | 22 | 17 | 22 |
| Tied channels ⁽²⁾ | 385 | 419 | 583 | 419 | 968 | 838 | 443 | 461 |
| Other | | | 68 | 21 | 68 | 21 | 7 | 2 |
| Total new business | 6 764 | 6 746 | 23 113 | 23 399 | 29 877 | 30 145 | 9 076 | 9 087 |
| Liberty Africa Insurance | | | | | | | | |
| Retail | 212 | 160 | 169 | 77 | 381 | 237 | 228 | 168 |
| Broker | 6 | 2 | 69 | | 75 | 2 | 13 | 2 |
| Bancassurance | 65 | 54 | 15 | 25 | 80 | 79 | 66 | 57 |
| Tied channels ⁽²⁾ | 132 | 80 | 2 | | 134 | 80 | 132 | 80 |
| Other | 9 | 24 | 83 | 52 | 92 | 76 | 17 | 29 |
| Institutional | 134 | 107 | 15 | 22 | 149 | 129 | 136 | 109 |
| Broker | 65 | 43 | 15 | 22 | 80 | 65 | 67 | 45 |
| Tied channels ⁽²⁾ | 58 | 43 | | | 58 | 43 | 58 | 43 |
| Other | 11 | 21 | | | 11 | 21 | 11 | 21 |
| Total new business | 346 | 267 | 184 | 99 | 530 | 366 | 364 | 277 |

⁽¹⁾ Includes premium escalations for SA Retail; 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 2018

| Rm | Recurring premiums | | Single premiums | | Total premiums | |
|--------------------------|--------------------|---------------|-----------------|---------------|----------------|---------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| SA Retail | 21 224 | 20 824 | 21 745 | 22 151 | 42 969 | 42 975 |
| Liberty Corporate | 8 959 | 8 784 | 1 859 | 1 222 | 10 818 | 10 006 |
| Liberty Africa Insurance | 994 | 925 | 294 | 234 | 1 288 | 1 159 |
| Total premiums | 31 177 | 30 533 | 23 898 | 23 607 | 55 075 | 54 140 |
| Indexed premiums | | | | | 33 567 | 32 893 |
| SA Retail | | | | | 23 399 | 23 039 |
| Liberty Corporate | | | | | 9 145 | 8 906 |
| Liberty Africa Insurance | | | | | 1 023 | 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.

LIBFIN – SHAREHOLDER INVESTMENT PORTFOLIO

as at 31 December 2018

| Exposure category | 2018 | | | | 2017 | | | |
|--|---------------|--------------|---------------|------------|---------------|--------------|---------------|------------|
| | Local Rm | Foreign Rm | Total Rm | % | Local Rm | Foreign Rm | Total Rm | % |
| Equities | 4 403 | 3 736 | 8 139 | 30 | 4 431 | 4 787 | 9 218 | 33 |
| Bonds | 8 051 | 734 | 8 785 | 32 | 7 197 | 304 | 7 501 | 27 |
| Cash | 4 602 | 213 | 4 815 | 18 | 5 385 | 49 | 5 434 | 20 |
| Property | 2 533 | | 2 533 | 9 | 3 093 | | 3 093 | 11 |
| Other | 1 762 | 1 158 | 2 920 | 11 | 1 649 | 937 | 2 586 | 9 |
| Total | 21 351 | 5 841 | 27 192 | 100 | 21 755 | 6 077 | 27 832 | 100 |
| Assets backing capital | | | 15 029 | 55 | | | 17 235 | 62 |
| Assets backing policyholder liabilities | | | 8 691 | 32 | | | 6 677 | 24 |
| 90:10 exposure | | | 3 472 | 13 | | | 3 920 | 14 |
| Reconciliation to IFRS shareholders' equity | | | | | | | | |
| Shareholder Investment Portfolio | | | 27 192 | | | | 27 832 | |
| Less: 90:10 exposure | | | (3 472) | | | | (3 920) | |
| Less: Subordinated notes | | | (5 632) | | | | (5 500) | |
| South African insurance operations group funds | | | 18 088 | | | | 18 412 | |
| Liberty Group Limited group's IFRS shareholders' equity | | | 19 020 | | | | 18 412 | |
| Insurance group funds | | | 18 088 | | | | 18 412 | |
| Liberty Two Degrees ⁽¹⁾ | | | 932 | | | | | |

⁽¹⁾ This represents the difference between Liberty's share of the net asset value of L2D as at the reporting date and the listed price of L2D units multiplied by the number of units in issue to Liberty at the reporting date.

LIBFIN – SHAREHOLDER INVESTMENT PORTFOLIO PERCENTAGE ALLOCATION

as at 31 December 2018

| Exposure category % | 2018 | | | | 2017 | | | |
|--------------------------|------------------------------|--|-------------------|------------|------------------------------|--|-------------------|------------|
| | Assets backing capital | Assets backing policyholder liabilities | 90:10 exposure | Total | Assets backing capital | Assets backing policyholder liabilities | 90:10 exposure | Total |
| Local assets | | | | | | | | |
| Equities | 10 | | 6 | 16 | 9 | 1 | 6 | 16 |
| Bonds, cash and property | 31 | 22 | 3 | 56 | 41 | 12 | 3 | 56 |
| Other | 7 | | | 7 | 4 | 1 | 1 | 6 |
| Foreign assets | | | | | | | | |
| Equities | 3 | 9 | 2 | 14 | 4 | 10 | 3 | 17 |
| Bonds, cash and property | | 1 | 2 | 3 | 1 | | 1 | 2 |
| Other | 4 | | | 4 | 3 | | | 3 |
| Total | 55 | 32 | 13 | 100 | 62 | 24 | 14 | 100 |

LIBFIN – SHAREHOLDER INVESTMENT PORTFOLIO RETURN

as at 31 December 2018

| Rm | 2018 | 2017 |
|---|------------|--------------|
| Realised gross result | 1 027 | 2 328 |
| Taxation | (194) | (512) |
| Subordinated notes finance costs ⁽¹⁾ | | (432) |
| Subordinated notes at fair value ⁽¹⁾ | (525) | |
| Expenses (including asset management fees) | (58) | (77) |
| Net profit | 250 | 1 307 |
| Gross return (%) | 3,7 | 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 31 December 2018

| Rm (unless otherwise stated) | 2018 | 2017 |
|--|-----------|-----------|
| Net earnings from credit portfolio | 302 | 330 |
| Total LibFin assets (Rbn) | 65 | 62 |
| Credit portfolio assets (Rbn) | 45 | 42 |
| Banks, treasuries and shorter dated assets (Rbn) | 20 | 20 |

SA RETAIL – HEADLINE EARNINGS

for the year ended 31 December 2018

| Rm | 2018 | 2017 |
|---|--------------|--------------|
| Expected profit and premium escalations | 2 111 | 2 040 |
| Variances, modelling and assumption changes | 116 | (144) |
| New business strain | (667) | (675) |
| Project and non-cost per policy expenses | (172) | (286) |
| Direct financial services | (31) | (8) |
| Other ⁽¹⁾ | 109 | 176 |
| Earnings before bancassurance | 1 466 | 1 103 |
| Liberty share of credit life bancassurance (net of all taxes) | 201 | 167 |
| Complex bancassurance preference dividend | (86) | (62) |
| Headline earnings | 1 581 | 1 208 |

⁽¹⁾ 2018 includes anticipated reserving impact of moving expenses from Liberty Holdings Limited to Liberty Group Limited as a result of a change to the operating model

SA RETAIL – KEY PERFORMANCE INDICATORS

as at 31 December 2018

| Rm (unless stated otherwise) | 2018 | 2017 |
|--|--------|--------|
| Net customer cash flows | 2 589 | 3 196 |
| Insurance products | 2 065 | 2 846 |
| LISP | 524 | 350 |
| Gross sales (excluding LISP) | 26 260 | 26 895 |
| Indexed new business (excluding LISP) | 6 495 | 6 570 |
| Value of new business | 271 | 155 |
| Retail margin excluding STANLIB (%) | 0,9 | 0,5 |
| Retail new business margin including STANLIB (%) | 0,8 | 0,5 |

SA RETAIL – INDEXED NEW BUSINESS

as at 31 December 2018

| Rm | 2018 | 2017 |
|--|--------------|--------------|
| SA Retail Insurance (excluding emerging consumer market) | 5 860 | 5 844 |
| Emerging consumer market | 252 | 264 |
| Total SA Retail Insurance | 6 112 | 6 108 |
| Direct Financial Services | 84 | 79 |
| STANLIB 'on balance sheet' sales | 299 | 383 |
| Total 'on balance sheet' sales | 6 495 | 6 570 |
| STANLIB 'off-balance sheet' sales | 3 169 | 2 398 |
| GateWay LISP 'off-balance sheet' sales | 258 | 220 |
| Total SA Retail distribution | 9 922 | 9 188 |

SA RETAIL – MAINTENANCE COST PER POLICY

as at 31 December 2018

| R | 2018 | 2017 |
|------------------------|------|------|
| Valuation basis | | |
| Complex | 671 | 636 |
| Simplex | 335 | 318 |
| Annuities | 335 | 318 |

SA RETAIL – NEGATIVE RAND RESERVES⁽¹⁾

as at 31 December 2018

| Rm | 2018 | 2017 |
|----------------------|--------|--------|
| Published IFRS basis | 14 903 | 16 767 |

⁽¹⁾ Gross of taxation.

By their nature "negative rand reserves" includes offsets between policies with positive and negative reserves.

LIBERTY CORPORATE – HEADLINE EARNINGS

for the year ended 31 December 2018

| Rm | 2018 | 2017 |
|-------------------------------------|-----------|------------|
| Gross contribution | 1 036 | 1 072 |
| Underwriting margin | 455 | 417 |
| Fee income | 559 | 589 |
| Pension businesses and other income | 22 | 66 |
| Expenses and other items | (963) | (960) |
| Profit before taxation | 73 | 112 |
| Taxation | (21) | (31) |
| Headline earnings | 52 | 81 |

LIBERTY CORPORATE – KEY PERFORMANCE INDICATORS

for the year ended 31 December 2018

| Rm (unless stated otherwise) | 2018 | 2017 |
|------------------------------|-------|---------|
| Gross sales | 2 228 | 1 905 |
| Indexed new business | 1 192 | 1 171 |
| Value of new business | 73 | 57 |
| New business margin (%) | 0,8 | 0,6 |
| Net customer cash flows | (449) | (1 536) |

RECONCILIATION OF AFRICA REGIONS AND OPERATIONS UNDER OWNERSHIP REVIEW EARNINGS

for the year ended 31 December 2018

| Rm | 2017 | | | | | | |
|--|---------------------------------------|--|--------------|---------------------------------------|--|--------------------------------|--------------|
| | Africa regions - remaining operations | Operations under ownership review ⁽¹⁾ | Total | Africa regions - remaining operations | Operations under ownership review ⁽¹⁾ | Nigeria Insurance discontinued | Total |
| Liberty Africa Insurance | (19) | (18) | (37) | 41 | 4 | | 45 |
| Liberty Health | | (78) | (78) | | (54) | | (54) |
| STANLIB Africa | 27 | (19) | 8 | 22 | (226) | | (204) |
| Business development central support | | | | (7) | | (49) | (56) |
| Total Africa regions | 8 | (115) | (107) | 56 | (276) | (49) | (269) |
| Short-term insurance | | (51) | | | (46) | | |
| Total operations under ownership review | | (166) | | | (322) | | |

⁽¹⁾ Under IFRS these are disclosed as disposal groups classified as held for sale.

LIBERTY HEALTH – HEADLINE EARNINGS

for the year ended 31 December 2018

| Rm | 2018 | 2017 |
|--|--------------|-------------|
| Loss before depreciation and amortisation | (116) | (78) |
| Amortisation and depreciation | (7) | (11) |
| Loss before taxation | (123) | (89) |
| Taxation | 45 | 35 |
| Headline loss | (78) | (54) |
| Headline loss attributable to Liberty | (78) | (54) |

LIBERTY HEALTH COVER PRODUCT – LIVES SERVICED

as at 31 December 2018

| Thousands | 2018 | 2017 | 2016 | 2015 |
|------------------------|------------|------------|------------|------------|
| Region | | | | |
| Eastern Africa | 56 | 57 | 55 | 48 |
| Western Africa | 30 | 36 | 35 | 36 |
| Southern Africa | 32 | 29 | 31 | 21 |
| Total | 118 | 122 | 121 | 105 |
| Liberty-owned licenses | 69 | 79 | 81 | 67 |
| Third-party licenses | 49 | 43 | 40 | 38 |

LIBERTY AFRICA INSURANCE – HEADLINE EARNINGS

for the year ended 31 December 2018

| Rm | 2018 | 2017 |
|---|-------------|------------|
| Insurance entities earnings⁽¹⁾ | | |
| Long-term insurance | 60 | 100 |
| Short-term insurance | (7) | 58 |
| Headline earnings (before head office expenses) | 53 | 158 |
| Non-controlling shareholders share of headline earnings | (24) | (61) |
| Liberty share of headline earnings | 29 | 97 |
| Head office costs | (66) | (52) |
| Net headline earnings attributable to Liberty | (37) | 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 year ended 31 December 2018

| Rm (unless stated otherwise) | 2018 | 2017 |
|--|------|------|
| Embedded value of new business written in period | 27 | 21 |
| New business margin (%) | 2.8 | 3.9 |
| Long term: | | |
| Gross sales | 530 | 366 |
| Indexed new business | 364 | 277 |
| Net customer cash flows | 385 | 324 |
| Short term: | | |
| Net customer cash flows | 246 | 271 |
| Claims loss ratio (%) | 54 | 48 |

LIBERTY AFRICA INSURANCE – LONG-TERM INSURANCE NET CASH FLOWS

for the year ended 31 December 2018

| Rm | 2018 | 2017 |
|--|--------------|--------------|
| Net premiums by product type | | |
| Retail | 584 | 492 |
| Single | 91 | 40 |
| Recurring | 493 | 452 |
| Institutional | 704 | 667 |
| Single | 203 | 194 |
| Recurring | 501 | 473 |
| Net premium income from insurance contracts and inflows from investment contracts | 1 288 | 1 159 |
| Net claims and policyholders benefits by product type | | |
| Retail | (359) | (307) |
| Death, critical illness and disability claims | (58) | (61) |
| Policy surrender and maturity claims | (289) | (242) |
| Annuity payments | (12) | (4) |
| Institutional | (544) | (528) |
| Death, critical illness and disability claims | (118) | (110) |
| Scheme terminations and member withdrawals | (426) | (418) |
| Net claims and policyholders benefits | (903) | (835) |
| Net cash flow split as follows: | 385 | 324 |
| Retail | 225 | 185 |
| Institutional | 160 | 139 |

SUMMARY OF GROUP LONG-TERM INDEXED NEW BUSINESS, VONB AND VONB MARGIN

for the year ended 31 December 2018

| Business unit | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|--------------------------|-------------------------|-------------------------|------------|------------|---------------|---------------|
| | Indexed new business Rm | Indexed new business Rm | VONB Rm | VONB Rm | VONB margin % | VONB margin % |
| SA Retail | 6 495 | 6 570 | 271 | 155 | 0,8 | 0,5 |
| Liberty Corporate | 1 192 | 1 171 | 73 | 57 | 0,8 | 0,6 |
| Liberty Africa Insurance | 364 | 277 | 27 | 21 | 2,8 | 3,9 |
| Total | 8 051 | 8 018 | 371 | 233 | 0,9 | 0,5 |

STANLIB SOUTH AFRICA – HEADLINE EARNINGS

for the year ended 31 December 2018

| Rm (unless stated otherwise) | 2018 | 2017 |
|--|------------|------------|
| Net fee income | 1 672 | 1 704 |
| Base fees | 1 651 | 1 676 |
| Performance fees | 21 | 28 |
| Total operating expenses | (1 295) | (1 390) |
| Operating expenses | (1 237) | (1 262) |
| Non-recurring projects and expenses | (58) | (128) |
| Profit before investment income | 377 | 314 |
| Other income | 116 | 57 |
| Profit before taxation | 493 | 371 |
| Taxation | (138) | (119) |
| Total headline earnings | 355 | 252 |
| Average margin (bps) | 34 | 32 |
| Average assets under management (Rbn) | 558 | 546 |

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

as at 31 December 2018

| Rm | Net cash flows | | Assets under management | |
|----------------------|----------------|-----------------|-------------------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Retail | 6 098 | 6 849 | 221 297 | 228 202 |
| Fixed interest | 5 722 | 7 846 | 55 056 | 48 940 |
| Equity | (562) | (752) | 9 881 | 13 504 |
| Property | (1 146) | 325 | 9 661 | 14 954 |
| Money market | (48) | (1 400) | 24 754 | 24 794 |
| Absolute return | 2 710 | 2 572 | 8 220 | 6 008 |
| Balanced | 242 | (3 818) | 22 919 | 24 819 |
| International | (808) | (855) | 10 565 | 11 308 |
| Retail Life | | 20 | | 211 |
| LISP | 360 | 3 280 | 77 829 | 80 093 |
| Structured | (372) | (369) | 2 412 | 3 571 |
| Institutional | 10 051 | (2 118) | 119 450 | 103 831 |
| Fixed interest | 5 577 | (5) | 26 489 | 19 905 |
| Equity | (624) | 1 021 | 9 837 | 6 743 |
| Property | 1 151 | (641) | 8 340 | 8 539 |
| Money market | 7 042 | 1 316 | 64 309 | 56 217 |
| Absolute return | (647) | (687) | 869 | 514 |
| Balanced | (2 267) | (2 481) | 7 273 | 9 494 |
| International | (181) | (641) | 1 701 | 1 711 |
| Other | | | 632 | 708 |
| Liberty - Delta LISP | (397) | 483 | 39 425 | 41 877 |
| Liberty - intragroup | (16 567) | (16 346) | 168 753 | 181 753 |
| Total | (815) | (11 132) | 548 925 | 555 663 |

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

as at 31 December 2018

| Rm | Money market (including cash) | Fixed interest | Equity | Property | Other | Absolute return | Balanced | International | Structured | Retail life | LISP | Total |
|---|-------------------------------|----------------|--------|----------|-------|-----------------|----------|---------------|------------|-------------|---------|---------|
| 2018 | | | | | | | | | | | | |
| Retail | | | | | | | | | | | | |
| Collective investments | 50 730 | 6 757 | 6 826 | | | 7 453 | 14 438 | 10 565 | | | | 96 769 |
| Linked investment and structured products | | | | | | | | | 2 412 | | 77 829 | 80 241 |
| Money market | 24 754 | | | | | | | | | | | 24 754 |
| Multi-manager collective investments | 4 326 | 3 124 | 2 835 | | | 767 | 8 481 | | | | | 19 533 |
| Institutional | | | | | | | | | | | | |
| Segregated funds | 26 489 | 9 837 | 8 340 | | 632 | 869 | 7 273 | 1 701 | | | | 55 141 |
| Money market | 64 309 | | | | | | | | | | | 64 309 |
| Liberty - Delta LISP | | | | | | | | | | | 39 425 | 39 425 |
| Liberty - intragroup | 4 186 | 33 734 | 55 840 | 23 163 | 563 | 7 113 | 18 118 | 24 576 | 1 460 | | | 168 753 |
| STANLIB total | 93 249 | 115 279 | 75 558 | 41 164 | 1 195 | 16 202 | 48 310 | 36 842 | 3 872 | | 117 254 | 548 925 |
| 2017 | | | | | | | | | | | | |
| Retail | | | | | | | | | | | | |
| Collective investments | 46 561 | 11 010 | 11 102 | | | 5 164 | 19 010 | 11 308 | | | | 104 155 |
| 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 - intragroup | 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 year ended 31 December 2018

| Core retail funds – quartile performance Fund name | Rolling period | | | | | |
|---|----------------|------|------------|------|-----------|------|
| | One year | | Three-year | | Five-year | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| STANLIB Equity | 1 | 2 | 3 | 3 | 3 | 2 |
| STANLIB SA Equity | 3 | 3 | 4 | 4 | 4 | 4 |
| STANLIB Balanced | 1 | 3 | 3 | 4 | 4 | 3 |
| STANLIB Balanced Cautious | 3 | 4 | 4 | 3 | 3 | 3 |
| STANLIB Absolute Plus | 1 | 1 | 1 | 1 | 1 | 2 |
| STANLIB Bond | 3 | 1 | 1 | 1 | 2 | 2 |
| STANLIB Income | 1 | 2 | 1 | 1 | 1 | 2 |
| STANLIB Money Market | 2 | 2 | 2 | 2 | 2 | 2 |
| STANLIB Flexible Income | 4 | 1 | 4 | 2 | 4 | 3 |
| STANLIB Aggressive Income | 3 | 2 | 1 | 1 | 2 | 3 |
| STANLIB Property Income | 4 | 2 | 3 | 2 | 3 | 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 year ended 31 December 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 | 3 | 2 | 1 | 1 | 2 | 2 |
| Money Market | 4 | 2 | 3 | 4 | 4 | 4 |
| STANLIB Property Income Fund ⁽¹⁾ | 4 | | 4 | | 4 | |
| Large Manager – Global | 1 | 4 | 4 | 4 | 4 | 4 |
| Full Global Mandate | 1 | 4 | 4 | 4 | 4 | 4 |
| Domestic Only Mandate | 4 | 4 | 4 | 4 | 4 | 4 |
| Stanlib Core Equity | 4 | 4 | 4 | 4 | 4 | 4 |
| Stanlib Enhanced Index | 3 | 1 | 3 | 4 | 3 | 4 |
| STANLIB Absolute Plus Fund ⁽¹⁾ | 1 | | 3 | | 1 | |

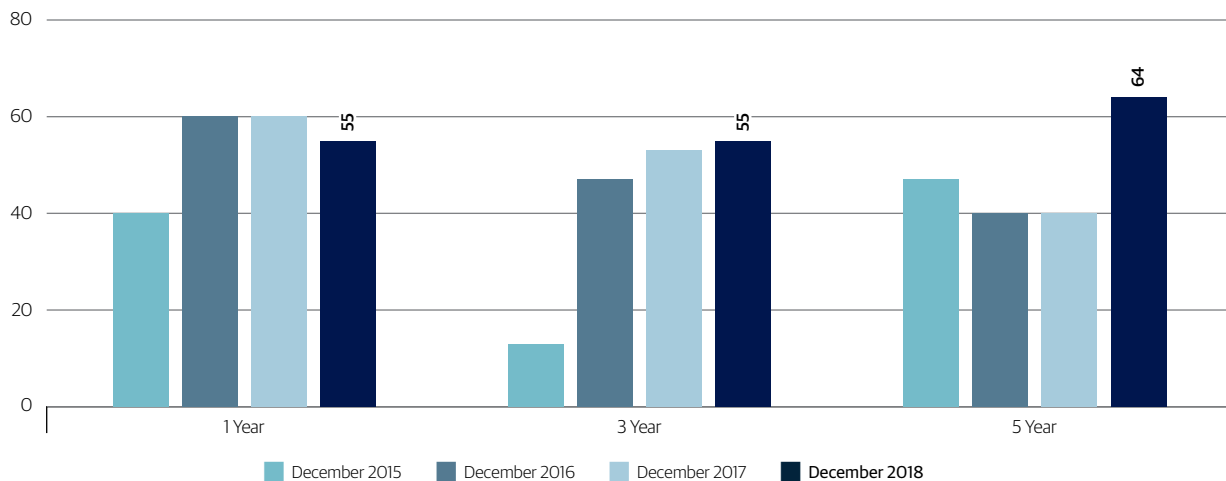
The Stanlib Institutional Property, Stanlib Growth Equity, Stanlib Value, Absolute Return and Domestic Absolute Return Funds have been removed from the table as they have been rationalised or are in the process of being rationalised.

⁽¹⁾ New representative portfolio.

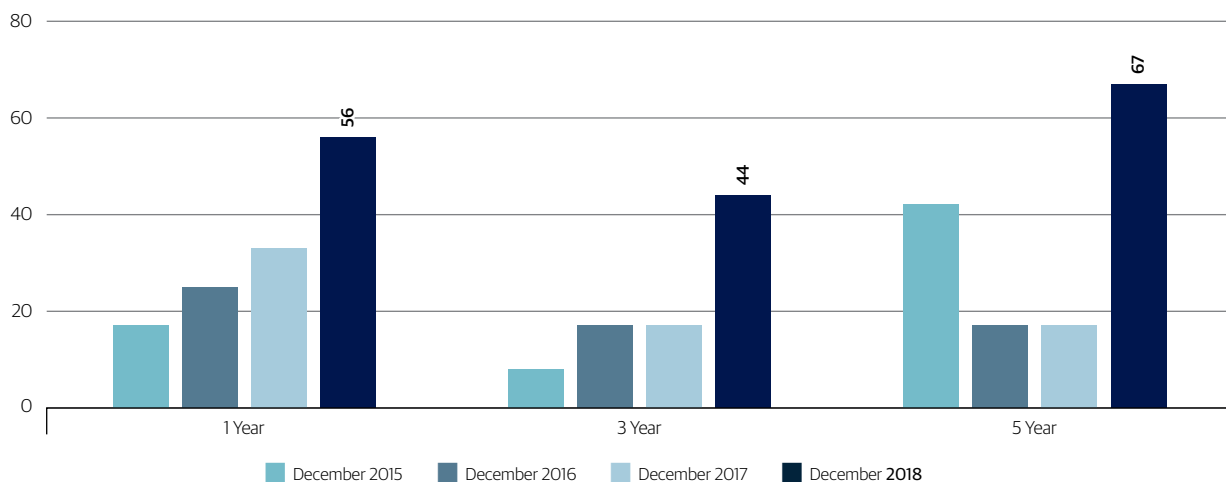
STANLIB SOUTH AFRICA – INVESTMENT PERFORMANCE

as at 31 December 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 31 December 2018

| Assets under management (Rm) | 2018 | 2017 |
|--------------------------------------|---------------|---------------|
| Opening market value | 52 531 | 50 787 |
| Net cash inflows | (7 735) | (756) |
| External | (8 564) | (480) |
| Liberty – intragroup | 829 | (276) |
| Capital appreciation | 6 408 | 2 500 |
| Closing market value | 51 204 | 52 531 |
| Segregated funds | 31 232 | 31 683 |
| Unit trusts | 7 264 | 7 364 |
| Money market | 12 708 | 13 484 |
| Total assets under management | 51 204 | 52 531 |

STANLIB AFRICA – ASSETS UNDER MANAGEMENT BY ASSET TYPE

as at 31 December 2018

| Assets under management (Rm) | 2018 | 2017 |
|--|---------------|---------------|
| Remaining operations⁽¹⁾ | 19 136 | 20 071 |
| Fixed interest | 4 756 | 4 904 |
| Equity | 4 429 | 5 060 |
| Money market | 8 596 | 8 491 |
| Other | 1 355 | 1 616 |
| Operations under ownership review⁽²⁾ | 32 068 | 32 460 |
| Fixed interest | 15 181 | 12 448 |
| Equity | 4 963 | 9 848 |
| Property | 2 810 | 1 864 |
| Money market | 4 112 | 4 993 |
| Other | 5 002 | 3 307 |
| Total assets under management | 51 204 | 52 531 |
| Combined | | |
| Fixed interest | 19 937 | 17 352 |
| Equity | 9 392 | 14 908 |
| Property | 2 810 | 1 864 |
| Money market | 12 708 | 13 484 |
| Other | 6 357 | 4 923 |
| | 51 204 | 52 531 |

⁽¹⁾ Remaining operations include STANLIB Namibia, STANLIB Namibia Unit Trust Management Company, STANLIB Swaziland and STANLIB Lesotho.

⁽²⁾ Operations under ownership review include STANLIB Botswana, STANLIB Ghana, STANLIB Kenya and STANLIB Uganda. Under IFRS these are disclosed as disposal groups classified as held for sale.

FAIR VALUE MEASUREMENT DISCLOSURES

for the year ended 31 December 2018

Fair value hierarchy

1. Asset hierarchy

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

| 2018 Rm (Audited) | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|---------------|----------------|
| Equity instruments | 106 606 | 1 | 3 248 | 109 855 |
| Listed equities on the JSE or foreign exchanges | 99 978 | | | 99 978 |
| Unlisted equities | | 1 | 1 951 | 1 952 |
| Scrip assets – listed equities on the JSE | 6 628 | | | 6 628 |
| Interests in joint ventures | | | 1 297 | 1 297 |
| Debt instruments | 85 890 | 51 351 | 186 | 137 427 |
| Listed preference shares on the JSE or foreign exchanges | 3 138 | | | 3 138 |
| Unlisted preference shares | | 110 | 186 | 296 |
| Listed term deposits on BESA, JSE or foreign exchanges | 77 377 | 8 374 | | 85 751 |
| Unlisted term deposits | | 42 212 | | 42 212 |
| Repurchase agreements and collateral assets | 5 375 | 655 | | 6 030 |
| Mutual funds⁽¹⁾ | 6 127 | 91 003 | 1 533 | 98 663 |
| Property | 12 | 938 | | 950 |
| Equity instruments | 1 449 | 13 824 | 760 | 16 033 |
| Interest-bearing instruments | 107 | 17 231 | | 17 338 |
| Mixed asset classes | 4 559 | 59 010 | 773 | 64 342 |
| Investment policies | | 8 219 | 1 243 | 9 462 |
| Derivative assets held for trading and for hedging | | 6 235 | | 6 235 |
| Equity instruments | | 793 | | 793 |
| Currency exchange instruments | | 1 039 | | 1 039 |
| Interest rate instruments | | 4 403 | | 4 403 |
| Policy loans receivable ⁽²⁾ | | | 737 | 737 |
| Collateral deposits receivable | | 4 105 | | 4 105 |
| Prepayments and other receivables held at FVPL ⁽²⁾ | | | 3 037 | 3 037 |
| Cash and cash equivalents held at FVPL | | 10 024 | | 10 024 |
| Properties | | | 35 961 | 35 961 |
| Total assets subject to fair value hierarchy analysis | 198 623 | 170 938 | 45 945 | 415 506 |
| Other assets not subject to fair value hierarchy analysis: | | | | |
| Intangible assets | | | | 572 |
| Defined benefit pension fund employer surplus | | | | 140 |
| Equipment | | | | 1 038 |
| Interest in joint venture – equity accounted | | | | 56 |
| Interest in associates – equity accounted | | | | 10 |
| Deferred taxation | | | | 245 |
| Deferred acquisition costs | | | | 777 |
| Long-term policyholder assets – insurance contracts | | | | 6 708 |
| Reinsurance assets | | | | 2 119 |
| Policy loans receivable ⁽³⁾ | | | | 340 |
| Prepayments other receivables held at amortised cost | | | | 664 |
| Insurance contract receivables | | | | 1 252 |
| Cash and cash equivalents held at amortised cost | | | | 6 950 |
| Disposal groups classified as held for sale | | | | 897 |
| Total assets as per statement of financial position | | | | 437 274 |

⁽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⁾ FVPL: Fair value through profit or loss

⁽³⁾ 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 year ended 31 December 2018

Fair value hierarchy (continued)

1. Asset hierarchy (continued)

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

| 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 year ended 31 December 2018

Fair value hierarchy (continued)

2. Liability hierarchy

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

| 2018 Rm (Audited) | Level 1 | Level 2 | Level 3 | Total |
|--|---------|----------------|--------------|----------------|
| Policyholder long-term investment contract liabilities | | 99 813 | | 99 813 |
| Third-party financial liabilities arising on consolidation of mutual funds | | 46 628 | 1 558 | 48 186 |
| Financial liabilities ⁽¹⁾ | | 6 478 | | 6 478 |
| Repurchase agreements liabilities | | 5 771 | | 5 771 |
| Liabilities held for trading and for hedging | | 8 457 | | 8 457 |
| Insurance and other payables at FVPL | | | 4 628 | 4 628 |
| Collateral deposits payable | | 5 976 | | 5 976 |
| Total liabilities subject to fair value hierarchy analysis | | 173 123 | 6 186 | 179 309 |
| 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 at FVPL | | | | 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 year ended 31 December 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:

| 2018 Rm (Audited) | Amortised cost | Fair value | Level 1 | Level 2 | Level 3 |
|---|-------------------|------------|---------|---------|---------|
| Financial assets measured at amortised cost | | | | | |
| Policy loans receivables – net carrying value | 340 | 316 | | | 316 |
| Financial liabilities measured at amortised cost | | | | | |
| Loan facilities ⁽¹⁾ | 1 626 | 1 626 | | 1 626 | |
| 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 |

⁽¹⁾ The loan facilities were drawn down on 1 November 2018, therefore the amortised cost and fair value is materially the same.

The fair value of prepayments and other receivables, cash and cash equivalents and other payables that are all held at amortised cost approximate their carrying value and are not included in the above hierarchy table as 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)

for the year ended 31 December 2018

Fair value hierarchy (continued)

4. Reconciliation of level 3 assets and liabilities

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

| Rm (Audited) | 2018 | 2017 |
|---|---------------|---------------|
| Balance at the beginning of the year | 39 751 | 39 113 |
| IFRS 9 reclassification from amortised cost to FVPL of loan receivables | 831 | |
| Balance restated after IFRS 9 adjustment | 40 582 | |
| Fair value adjustment recognised in profit or loss as part of investment gains ⁽¹⁾ | 823 | 71 |
| Fair value adjustment recognised in other comprehensive income ⁽¹⁾ | 19 | (67) |
| Reclassification to level 3 ⁽²⁾ | | 26 |
| Foreign currency translation | 41 | (26) |
| Additions | 1 456 | 811 |
| Disposals | (276) | (128) |
| Movements on third-party share of financial instruments in mutual funds | 263 | (49) |
| Balance at the end of the year | 42 908 | 39 751 |
| Financial instruments - prepayments and other receivables⁽³⁾ | 3 037 | |
| Balance at the end of the year, including prepayments and other receivables | 45 945 | 39 751 |
| Properties | 35 961 | 34 768 |
| Financial instruments - equity and mutual funds | 4 781 | 3 601 |
| Financial instruments - debt | 186 | 206 |
| Financial instruments - policy loan receivables | 737 | |
| Financial instruments - prepayments and other receivables | 3 037 | |
| Financial instruments - investment policies | 1 243 | 1 176 |

⁽¹⁾ Included in the fair value adjustments is a R713 million unrealised gain (2017: R1 656 million unrealised loss).

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

⁽³⁾ No movement analysis is provided for prepayments and other receivables that are included as level 3 assets in the fair value hierarchy. These amounts are typically short term trade debtors and arise in the ordinary course of business. It is impracticable to separate additions and disposals.

The liabilities categorised as level 3 relate to the mutual fund third party portion. The movement in the year is prepared below.

| Rm | 2018 | 2017 |
|--|--------------|--------------|
| Balance at the beginning of the year | 1 229 | 1 271 |
| Unrealised fair value adjustments and net movements on consolidated mutual funds | 329 | (42) |
| Balance at the end of the year | 1 558 | 1 229 |

No movement analysis is provided for insurance and other payables that are included as level 3 assets in the fair value hierarchy. These amounts are typically short term trade creditors and arise in the ordinary course of business. It is impracticable to separate additions and disposals.

FAIR VALUE MEASUREMENT DISCLOSURES (CONTINUED)

for the year ended 31 December 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 31 December 2018 range between 6,3% to 9,5% (2017: between 6,3% to 11,0%). This compares to the ten year government yield of 8,875% (2017: 8,06%). The non observable adjustments included in the valuation can therefore be referenced to the variance to the ten year government rate. Discount rates in 2018 were between 12,0% to 16,5%.

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 indicate the sensitivity of the aggregate market values for a 1% change in the exit capitalisation rate.

| 2018 Rm (Audited) | Change in exit capitalisation rate | | |
|---|------------------------------------|---------------|---------------|
| | Total | 1% increase | 1% decrease |
| Properties below 6,8% capitalisation rate | 31 033 | 26 933 | 36 015 |
| Properties between 6,8 – 8,5% capitalisation rate | 1 867 | 1 660 | 2 133 |
| Properties between 8,6 – 9,5% capitalisation rate | 3 061 | 2 757 | 3 441 |
| Total | 35 961 | 31 350 | 41 589 |
| 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 1% (2017: 0,5%) change in the discount rate.

| 2018 Rm (Audited) | Change in discount rate | | |
|----------------------|-------------------------|---------------|---------------|
| | Total | 1% increase | 1% decrease |
| Total properties | 35 961 | 34 558 | 37 170 |
| 2017 | | | |
| Rm (Audited) | | 0,5% increase | 0,5% decrease |
| Total properties | 34 768 | 34 063 | 35 414 |

FAIR VALUE MEASUREMENT DISCLOSURES (CONTINUED)

for the year ended 31 December 2018

Fair value hierarchy (continued)

5. Sensitivity analysis of level 3 assets (continued)

5.1 Investment and owner-occupied property (continued)

Impact on investment property valuations as a result of media reports relating to Edcon Limited (Edcon)

During December 2018 and, as reported in the media, Edcon requested a rental holiday from its landlords totaling 40.9% of gross rental over a 24 month period commencing 1 April 2019, in return for an equity subscription. The proposal further required contributions from its lender group as well as a new equity subscription from an institutional investor. At 31 December 2018, and at the time of reporting, significant uncertainty remains on whether the proposal will be accepted by all stakeholders as various conditions precedent have not been met. Based on the proposal and subsequent information provided by Edcon, Liberty management believe that the restructure proposed is likely to be successful if all the conditions are met.

Management has considered and evaluated two scenarios proposed by Edcon:

Scenario 1

- Base case with 40.9% rental reduction and receipt of equity for rental forfeited.
- The impact on the investment property valuation is an estimated R98 million decrease (excluding property consortiums) for Liberty Holdings Limited.
- Market value of equity received – to be determined.
- The Liberty group is unlikely to accept this scenario.

Scenario 2

- Equity subscription in Edcon, with rental remaining at the current level.
- Impact on investment property valuation – no impact on portfolio valuation if equity subscription and rental agreement are not linked.

Management is actively monitoring developments relating to Edcon and plans are in place to mitigate any potential adverse impact. Management concluded that no adjustment should be made to the year-end valuations in line with the second scenario which assumes that Edcon will remain a going concern.

Both the investment and the owner-occupied properties are linked to policyholder benefits and consortium non-controlling interests which limits the impact to company or group ordinary shareholder comprehensive income or equity for any changes in the fair value measurement.

FAIR VALUE MEASUREMENT DISCLOSURES (CONTINUED)

for the year ended 31 December 2018

Fair value hierarchy (continued)

5.2 Financial instrument assets

| | Audited 2018 | | Audited 2017 | |
|----------------------------------|-----------------|-----------------------|-----------------|-----------------------|
| | Rm | Discount rate % | Rm | Discount rate % |
| Equities and mutual funds | | | | |
| Unlisted equities | 1 951 | 10-14 | 1 709 | 14 - 35 |
| Interests in joint venture | 1 297 | 14 | 1 193 | 14 |
| Mutual funds | 1 533 | 10-19 | 699 | 15 - 19 |
| Investment policies | 1 243 | 11 | 1 176 | 11 |
| Debt | | | | |
| Unlisted preference shares | 186 | 12 | 180 | 12 |
| Unlisted term deposits | | | 26 | |
| Policy loan receivables | 737 | 12 | | |

Approximately 97% (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.

| | Audited 2018 | | | Audited 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 | 1 191 | (83) | 97 | 372 | (22) | 26 |

FAIR VALUE MEASUREMENT DISCLOSURES (CONTINUED)

for the year ended 31 December 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 - fixed term annuities | Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held DCF | Not applicable Bond and interbank swap interest rate curves Own credit/liquidity |
| Subordinated notes | DCF and listed bond prices | 3-month JIBAR (floating rate notes) Bond Spread (Own credit/liquidity) Yield curves, with implied credit spreads Different cash flows of various bonds, with fixed and floating rates |
| Commercial paper | DCF | Discount curve Credit spread |
| Cash equivalents - short term deposits | Market to market Yield curves | Bonds and interbank swap interest curve |
| Cash on hand | Face value | Not applicable |
| 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 year ended 31 December 2018

Fair value hierarchy (continued)

6. Group's valuation process (continued)

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

| INSTRUMENT | VALUATION BASIS/TECHNIQUES | MAIN ASSUMPTIONS |
|--|--|--|
| Investment and owner-occupied properties | DCF | Exit capitalisation and discount rates Price per square meter Long-term net operating income margin Vacancies Market rental trends (Market Rental Growth Ranges Retail: 5.5% to 5.75%; Office: 4.5% to 6%) Economic outlook Location Hotel income trends/inflation based Hotel occupancy (range between 60% - 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 |
| Policy loans receivable | DCF | Prime interest rate Term |
| Prepayments and other receivables | DCF | Applicable risk-free rate |
| | Age analysis | Applicable credit margin Expected cash flows |
| | | |
| Other payables | DCF | Applicable credit margin including Liberty's own credit risk |
| | Age analysis | |
| Third-party financial liabilities arising on the consolidation of mutual funds | Quoted put (exit) price provided by the fund manager | Not applicable |

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