



LIBERTY

LIBERTY HOLDINGS LIMITED

Supplementary information

For the six months ended 30 June 2019



ADVICE INSURE INVEST HEALTH

Liberty - an Authorised Financial Service Provider in terms of the FAIS Act (Licence No. 2409).

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ANALYSIS OF ORDINARY SHAREHOLDERS' EQUITY

for the six months ended 30 June 2019

Rm	Group funds invested			Contribution to earnings		
	30 June 2019	30 June 2018	12 months 31 December 2018	30 June 2019	30 June 2018	12 months 31 December 2018
South African Insurance Operations⁽¹⁾	17 683	18 068	18 088	1 934	1 324	2 259
Fixed assets and working capital/ insurance operating surplus	9 587	7 948	8 684	1 465	926	1 647
Present value of in-force business	4	9	7	(3)	(3)	(5)
Investment portfolios	13 736	14 682	15 029	650	579	984
Subordinated notes at fair value	(5 644)	(4 571)	(5 632)	(178)	(178)	(367)
South African Asset Management						
STANLIB South Africa	920	809	852	209	175	355
Africa regions	1 437	1 359	1 298	(33)	(42)	(107)
Liberty Africa Insurance	937	905	926	17	(6)	(19)
STANLIB Africa	101	82	84	14	14	27
Operations under ownership review ⁽²⁾	399	372	288	(64)	(50)	(115)
Central costs and sundry income				(99)	(97)	(206)
Liberty Holdings Limited						
Operations under ownership review⁽²⁾	2 563	1 621	1 731			
Liberty Two Degrees consolidation adjustment^{(3),(4)}	927	847	940	(14)	193	397
Preference share dividend				(1)	(1)	(2)
Headline earnings				1 996	1 521	2 645
Preference share dividend				1	1	2
Remeasurement of disposal groups classified as held for sale				(125)		(249)
Liberty Holdings shareholders' equity/total earnings	23 530	22 767	23 003	1 872	1 522	2 398
Normalised						
Liberty Holdings shareholders' equity/headline earnings	23 530	22 767	23 003	1 996	1 521	2 645
BEE preference shares	87	117	99	3	4	8
Liberty Two Degrees normalisation adjustment ^{(3),(4)}	(502)	(438)	(522)	14	(193)	(397)
Normalised shareholders' equity/headline earnings	23 115	22 446	22 580	2 013	1 332	2 256

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

Rm	30 June 2019	30 June 2018	12 months 31 December 2018
Liberty Group Limited group's IFRS shareholders' equity	18 596	18 068	19 020
Insurance group funds	17 683	18 068	18 088
Liberty Two Degrees ⁽⁴⁾	913		932

⁽²⁾ The cash-generating units impacted are asset management operations in Ghana, Uganda, Kenya and Botswana, Health solutions and short-term insurance in Malawi. 2018 for the non-Africa regions includes the capitalised value of the short-term insurance technology start-up, which was sold effective 2 January 2019. Under IFRS these are disclosed as disposal groups classified as held for sale.

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

⁽⁴⁾ 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 R913 million (31 December 2018: R932 million) at Liberty Group Limited level plus additional R14 million (31 December 2018: R8 million) at a Liberty group level.

ANALYSIS OF GROUP EARNINGS – CORE EARNINGS

for the six months ended 30 June 2019

Rm	30 June 2019	30 June 2018	12 months 31 December 2018
South African Insurance Operations	1 262	1 361	2 652
SA Retail planned margin release including annual contribution increases	943	1 025	2 028
SA Retail credit life	92	93	201
SA Retail VIF amortisation	(3)	(3)	(5)
Liberty Corporate	39	77	52
LibFin Markets	191	169	376
Expected long-term rate of return on Shareholder Investment Portfolio⁽¹⁾	678	679	1 389
South African Asset Management			
STANLIB South Africa	190	201	380
Africa regions⁽²⁾	31	8	8
Liberty Africa Insurance	17	(6)	(19)
STANLIB Africa	14	14	27
Central costs and sundry income	(97)	(94)	(200)
Centre costs and sundry income ⁽²⁾	(100)	(98)	(208)
BEE preference share income	3	4	8
Core operating earnings	2 064	2 155	4 229
SA Retail new business strain	(382)	(379)	(667)
SA Retail operating variances, assumption changes and other	132	(32)	24
Adjusted core operating earnings	1 814	1 744	3 586
Operations under ownership review ⁽²⁾	(64)	(81)	(166)
Variance to long-term rate of return on Shareholder Investment Portfolio	244	(305)	(1 139)
STANLIB South Africa sustainable earnings adjustment	19	(26)	(25)
Normalised headline earnings	2 013	1 332	2 256

⁽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 and short-term insurance in Malawi. 2018 included the short-term insurance technology start-up, which was sold effective 2 January 2019. The 30 June 2018 core operating earnings has been aligned to the disclosures for 31 December 2018 and 30 June 2019, whereby operations under ownership review are excluded from core operating earnings and disclosed separately. Under IFRS these are disclosed as disposal groups classified as held for sale.

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

for the six months ended 30 June 2019

1. Description of embedded value of South African covered business

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 IFRS 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 IFRS 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 IFRS 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.

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 IFRS 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.

30 June 2018 comparatives

The 30 June 2018 comparatives that follow have been adjusted to be consistent with the embedded value basis at 31 December 2018 which was prepared according to the updated version of APN107 that applied from that date.

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the six months ended 30 June 2019

2. Normalised embedded value

Rm (unless otherwise stated)	30 June 2019	New basis 30 June 2018	31 December 2018
Risk discount rate % ⁽¹⁾	11,66	12,03	12,22
Net worth	17 307	17 685	17 706
Ordinary shareholders' funds on published basis	18 596	18 068	19 020
BEE preference share funding	87	117	99
Adjustment of ordinary shareholders' funds from published basis ⁽²⁾	(322)	(329)	(328)
Liberty Two Degrees normalisation ⁽³⁾	(913)		(932)
Adjustment for carrying value of in-force business acquired ⁽⁴⁾	(4)	(9)	(7)
Allowance for fair value of share rights	(37)	(62)	(46)
Frank Financial Services allowance for future expenses	(100)	(100)	(100)
Net value of life business in-force	16 472	16 267	15 981
Value of life business in-force	19 565	19 509	19 019
Cost of required capital	(3 093)	(3 242)	(3 038)
Normalised embedded value	33 779	33 952	33 687
3. Normalised embedded value earnings			
Embedded value at the end of the period	33 779	33 952	33 687
Intragroup dividends ⁽⁵⁾	2 235	1 350	2 252
Funding of restricted share plan	12	108	80
Beginning of year IFRS 9 transition adjustment		121	121
Beginning of year adjustment for introduction of new prudential regime ⁽⁶⁾		(139)	(139)
Embedded value at the beginning of the period	(33 687)	(34 581)	(34 581)
Embedded value earnings	2 339	811	1 420
Return on embedded value (%)	14,4	4,8	4,1

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the six months ended 30 June 2019

4. Analysis of normalised embedded value earnings

Rm	30 June 2019				New basis 30 June 2018				12 months 31 December 2018
	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	17 307	19 565	(3 093)	33 779	17 685	19 509	(3 242)	33 952	33 687
Intragroup dividends ⁽⁵⁾	2 235			2 235	1 350			1 350	2 252
Funding of restricted share plan	12			12	108			108	80
Beginning of year IFRS 9 transition adjustment					121			121	121
Beginning of year adjustment for introduction of new prudential regime ⁽⁶⁾					(6 932)	5 300	1 493	(139)	(139)
Embedded value at the beginning of the period	(17 706)	(19 019)	3 038	(33 687)	(11 134)	(25 137)	1 690	(34 581)	(34 581)
Embedded value earnings	1 848	546	(55)	2 339	1 198	(328)	(59)	811	1 420
Components of embedded value earnings									
Value of new business written in the period	(515)	765	(94)	156	(511)	738	(90)	137	344
Expected return on value of in-force business ⁽⁷⁾		1 124	50	1 174		1 181	59	1 240	2 433
Expected net of tax profit transfer to net worth	1 555	(1 555)			1 647	(1 647)			
Variations/changes in operating assumptions	3	(143)	(5)	(145)	138	8	(6)	140	507
Operating experience variances ⁽⁸⁾	4	(138)	(5)	(139)	154	14	(6)	162	423
Operating assumption changes	(1)	7		6	(26)	11		(15)	103
Changes in modelling methodology		(12)		(12)	10	(17)		(7)	(19)
Development expenses	(7)			(7)					(9)
New operating model - expense impact ⁽⁹⁾									(372)
Embedded value earnings from operations	1 036	191	(49)	1 178	1 274	280	(37)	1 517	2 903
Economic adjustments	803	355	(6)	1 152	(50)	(608)	(22)	(680)	(1 473)
Return on net worth and other adjustments ⁽¹⁰⁾	656			656	183			183	2
Investment variances ⁽¹¹⁾	(41)	34	(17)	(24)	(74)	(452)	(25)	(551)	(1 225)
Changes in economic assumptions ⁽¹²⁾	188	321	11	520	(159)	(156)	3	(312)	(250)
Change in allowance for fair value of share rights ⁽¹³⁾	9			9	(26)			(26)	(10)
Normalised embedded value earnings	1 848	546	(55)	2 339	1 198	(328)	(59)	811	1 420

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the six months ended 30 June 2019

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.

%	Annual rate		
	30 June 2019	30 June 2018	31 December 2018
Government stock	8,86	9,23	9,42
Equities	12,36	12,73	12,92
Property	9,86	10,23	10,42
Cash	7,36	7,73	7,92
The risk discount rate has been set equal to the risk free rate plus 80% of the equity risk premium	11,66	12,03	12,22
Maintenance expense inflation rate	7,11	7,48	7,67

- (2) The amount represents the removal of the DAC and DRL that is held on the published IFRS basis. This reduction in net worth results in an increase in the value of in-force.
- (3) This represents the difference between Liberty Group Limited'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 Group Limited 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.
- At 30 June 2018 this adjustment was applied at a Liberty Holdings level. As a result of the transaction between L2D and Liberty Group Limited in the latter part of 2018 and the consequential reassessment of control as defined under IFRS, this adjustment was required at a Liberty Group Limited consolidated level from 31 December 2018.
- (4) The carrying value of business acquired by Liberty Group Limited 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 R4 million (31 December 2018: R7 million, 30 June 2018: R9 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 were explained in section 1 of the 31 December 2018 South African Covered Business Embedded Value Report.
- (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 six months ended 30 June 2019

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 30 June 2019 operating experience variance of negative R139 million (31 December 2018: positive R423 million, 30 June 2018: positive R162 million) comprised:

Operating experience variances (Rm)	Net worth	Value of in-force covered business	Cost of required capital	Embedded value
30 June 2019				
SA Retail	33	53	(5)	81
Mortality and morbidity	106	37		143
Policyholder behaviour	(107)	15		(92)
Other ⁽ⁱ⁾	34	1	(5)	30
Liberty Corporate ⁽ⁱⁱ⁾	(58)	(191)		(249)
Credit portfolio variance	29			29
Total	4	(138)	(5)	(139)
30 June 2018 (New basis)				
SA Retail	106	108	(6)	208
Mortality and morbidity	103	61		164
Policyholder behaviour	(72)	43		(29)
Other ⁽ⁱ⁾	75	4	(6)	73
Liberty Corporate	(17)	(94)		(111)
Credit portfolio variance	65			65
Total	154	14	(6)	162
31 December 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

⁽ⁱ⁾ The net worth variances relates to tax and other miscellaneous profits.

⁽ⁱⁱ⁾ The amount of negative R191 million on the value of in-force relates to adverse termination experience and unfavourable salary and member growth in the context of a difficult economic environment.

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the six months ended 30 June 2019

5. Notes to embedded value (continued)

(9) This was the anticipated impact of reserving for expenses that resided in Liberty Holdings Limited in 2018 that were 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.

(10) Reconciliation of embedded value return on net worth and other adjustments to Shareholder Investment Portfolio earnings:

	30 June 2019 Rm	New basis 30 June 2018 Rm	31 December 2018 Rm
Shareholder Investment Portfolio after consolidation of L2D	922	374	250
Adjustment to reflect L2D at listed share price	(7)	(152)	(207)
Shareholder Investment Portfolio earnings	915	222	43
Remove 90:10 book	(145)	(24)	27
Frank Financial Services	(27)	(21)	(39)
Bancassurance obligations relating to Liberty Africa and STANLIB ⁽ⁱ⁾		(16)	
BEE preference scheme	4	5	8
Central treasury investments	25	27	61
Other	(116)	(10)	(98)
Return on net worth and other adjustments	656	183	2

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

(11) The amount of negative R24 million (31 December 2018: negative R1 225 million, 30 June 2018: negative R551 million) is a result of the investment returns for the period being close to assumption.

(12) The amount of R520 million (31 December 2018: negative R250 million, 30 June 2018: negative R312 million) relates to changes in economic assumptions as described in note (1).

(13) The amount of R9 million (31 December 2018: negative R10 million, 30 June 2018: negative R26 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 IFRS basis excluding any compulsory or discretionary margins. However, in contrast to the assumptions in the published IFRS 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.

BANCASSURANCE – BENEFIT TO LIBERTY

as at 30 June 2019

Liberty share (Rm)	30 June 2019	12 months 31 December 2018
Credit Life		
IFRS headline earnings	92	201
Embedded value of in-force contracts	549	505
Other insurance products		
Embedded value of new business	27	49
Embedded value of in-force contracts	826	811
STANLIB		
Net service fees on assets under management sourced from Standard Bank distribution	244	460

90:10 SHAREHOLDER EXPOSURE

as at 30 June 2019

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 SIP 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 SIP revenue) and the AoEV (shown as expected Life Fund Operating earnings).

Rm	30 June 2019	30 June 2018	12 months 31 December 2018
Exposure as at the beginning of the period	3 472	3 920	3 920
Expected earnings	134	145	287
Variance	11	(121)	(314)
Total net earnings	145	24	(27)
Exposure as at the end of the period	3 330	3 740	3 472

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

for the six months ended 30 June 2019

Rm	Recurring premiums			Single premiums		
	30 June 2019	30 June 2018	12 months 31 December 2018	30 June 2019	30 June 2018	12 months 31 December 2018
Retail	2 874	2 824	5 899	10 062	10 080	22 131
Broker	486	539	1 149	2 982	2 496	5 552
Bancassurance	1 471	1 350	2 787	2 362	2 585	6 126
Tied channels ⁽²⁾	777	809	1 717	4 553	4 880	10 179
Other	140	126	246	165	119	274
Institutional	552	512	1 211	555	533	1 166
Broker	339	322	740	201	394	515
Bancassurance	12	13	17			
Tied channels ⁽²⁾	171	161	443	349	94	583
Other	30	16	11	5	45	68
Total new business	3 426	3 336	7 110	10 617	10 613	23 297
Split between:						
South Africa⁽¹⁾						
SA Retail	2 764	2 735	5 687	9 918	9 998	21 962
Broker	483	535	1 143	2 923	2 453	5 483
Bancassurance	1 432	1 329	2 722	2 356	2 579	6 111
Tied channels ⁽²⁾	716	753	1 585	4 553	4 875	10 177
Other	133	118	237	86	91	191
Liberty Corporate	449	464	1 077	545	524	1 151
Broker	309	305	675	191	385	500
Bancassurance	12	13	17			
Tied channels ⁽²⁾	127	145	385	349	94	583
Other	1	1		5	45	68
Total new business	3 213	3 199	6 764	10 463	10 522	23 113
Liberty Africa Insurance						
Retail	110	89	212	144	82	169
Broker	3	4	6	59	43	69
Bancassurance	39	21	65	6	6	15
Tied channels ⁽²⁾	61	56	132		5	2
Other	7	8	9	79	28	83
Institutional	103	48	134	10	9	15
Broker	30	17	65	10	9	15
Tied channels ⁽²⁾	44	16	58			
Other	29	15	11			
Total new business	213	137	346	154	91	184

⁽¹⁾ Includes premium escalations for SA Retail; excludes STANLIB Multi-manager.

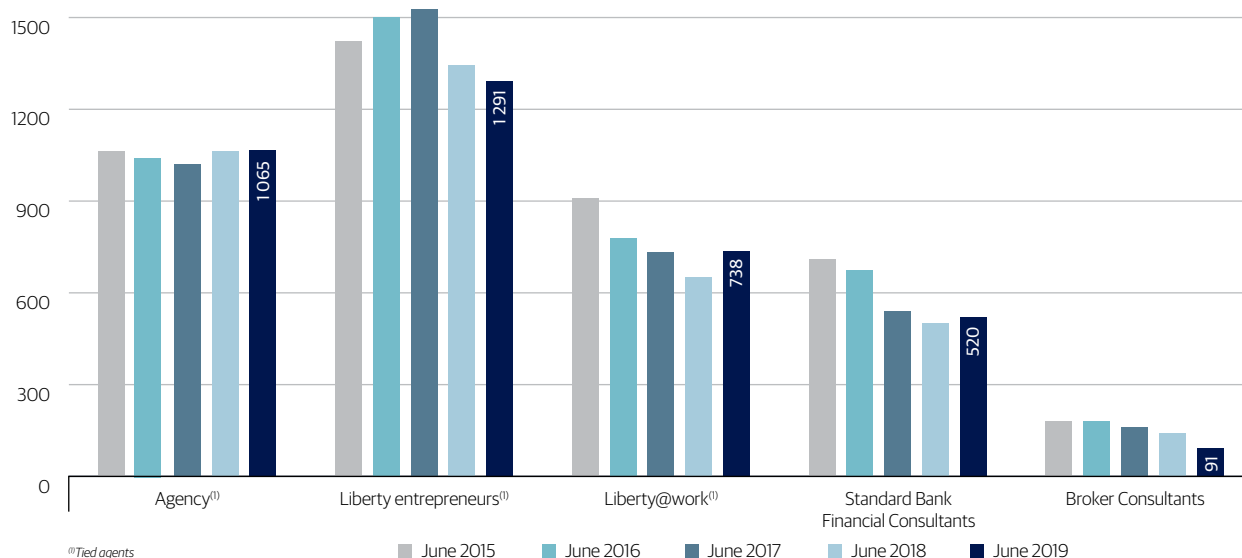
⁽²⁾ Tied channels include Agency, Liberty entrepreneurs and Liberty@work.

	Total premiums			Indexed premiums		
	30 June 2019	30 June 2018	12 months 31 December 2018	30 June 2019	30 June 2018	12 months 31 December 2018
	12 936	12 904	28 030	3 881	3 832	8 112
	3 468	3 035	6 701	784	788	1 704
	3 833	3 935	8 913	1 708	1 609	3 399
	5 330	5 689	11 896	1 232	1 297	2 736
	305	245	520	157	138	273
	1 107	1 045	2 377	607	565	1 328
	540	716	1 255	358	361	792
	12	13	17	12	13	17
	520	255	1 026	206	170	501
	35	61	79	31	21	18
	14 043	13 949	30 407	4 488	4 397	9 440
	12 682	12 733	27 649	3 756	3 735	7 884
	3 406	2 988	6 626	775	780	1 691
	3 788	3 908	8 833	1 668	1 587	3 333
	5 269	5 628	11 762	1 171	1 241	2 604
	219	209	428	142	127	256
	994	988	2 228	504	516	1 192
	500	690	1 175	328	343	725
	12	13	17	12	13	17
	476	239	968	162	154	443
	6	46	68	2	6	7
	13 676	13 721	29 877	4 260	4 251	9 076
	254	171	381	125	97	228
	62	47	75	9	8	13
	45	27	80	40	22	66
	61	61	134	61	56	132
	86	36	92	15	11	17
	113	57	149	103	49	136
	40	26	80	30	18	67
	44	16	58	44	16	58
	29	15	11	29	15	11
	367	228	530	228	146	364

SOUTH AFRICAN INSURANCE DISTRIBUTION HEADCOUNT

as at 30 June 2019

SOUTH AFRICAN INSURANCE DISTRIBUTION HEADCOUNT



TOTAL LONG-TERM INSURANCE PREMIUMS

for the six months ended 30 June 2019

Rm	Recurring premiums			Single premiums			Total premiums		
	30 June 2019	30 June 2018	12 months 31 December 2018	30 June 2019	30 June 2018	12 months 31 December 2018	30 June 2019	30 June 2018	12 months 31 December 2018
SA Retail	10 697	10 517	21 224	9 825	9 829	21 745	20 522	20 346	42 969
Liberty Corporate	4 514	4 384	8 959	827	717	1 859	5 341	5 101	10 818
Liberty Africa Insurance	634	506	994	162	110	294	796	616	1 288
Total premiums	15 845	15 407	31 177	10 814	10 656	23 898	26 659	26 063	55 075
Indexed premiums							16 927	16 473	33 567
SA Retail							11 680	11 500	23 399
Liberty Corporate							4 597	4 456	9 145
Liberty Africa Insurance							650	517	1 023

The differences 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.

SHAREHOLDER INVESTMENT PORTFOLIO

as at 30 June 2019

Exposure category	30 June 2019				31 December 2018			
	Local Rm	Foreign Rm	Total Rm	%	Local Rm	Foreign Rm	Total Rm	%
Equities	4 638	4 150	8 788	33	4 403	3 736	8 139	30
Bonds	9 155	202	9 357	35	8 051	734	8 785	32
Cash	2 218	530	2 748	10	4 602	213	4 815	18
Property	2 860		2 860	11	2 533		2 533	9
Other	1 755	1 149	2 904	11	1 762	1 158	2 920	11
Total	20 626	6 031	26 657	100	21 351	5 841	27 192	100
Assets backing capital			13 736	52			15 029	55
Assets backing policyholder liabilities			9 591	36			8 691	32
90:10 exposure			3 330	12			3 472	13
Reconciliation to IFRS shareholders' equity								
Shareholder Investment Portfolio			26 657				27 192	
Less: 90:10 exposure			(3 330)				(3 472)	
Less: Subordinated notes			(5 644)				(5 632)	
South African insurance operations group funds			17 683				18 088	
Liberty Group Limited group's IFRS shareholders' equity			18 596				19 020	
Insurance group funds			17 683				18 088	
Liberty Two Degrees ⁽¹⁾			913				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.

SHAREHOLDER INVESTMENT PORTFOLIO PERCENTAGE ALLOCATION

as at 30 June 2019

Exposure category %	30 June 2019				31 December 2018			
	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	12		5	17	10		6	16
Bonds, cash and property	26	25	2	53	31	22	3	56
Other	6		1	7	7			7
Foreign assets								
Equities	4	9	3	16	3	9	2	14
Bonds, cash and property		2	1	3		1	2	3
Other	4			4	4			4
Total	52	36	12	100	55	32	13	100

SHAREHOLDER INVESTMENT PORTFOLIO RETURN

for the six months ended 30 June 2019

Rm	30 June 2019	30 June 2018	12 months 31 December 2018
Realised gross result	1 581	880	1 027
Taxation	(376)	(205)	(194)
Subordinated notes at fair value	(248)	(264)	(525)
Expenses (including asset management fees)	(35)	(37)	(58)
Net profit	922	374	250
Gross return (%)	5,9	3,3	3,7

Taxation note:

The taxation treatment of income derived from assets backing capital is the normal taxation rules applicable to life investment portfolios. The taxation applicable to income derived from assets backing life funds and the 90:10 exposure is determined by the tax rates pertaining to each life tax fund to which the assets are allocated (I-E tax). In addition there is transfer tax at 28% on the net surplus, after the applicable I-E tax.

LIBFIN MARKETS – CREDIT PORTFOLIO

as at 30 June 2019

Rm (unless otherwise stated)	30 June 2019	30 June 2018	12 months 31 December 2018
Net earnings from credit portfolio	142	150	302
Total LibFin assets (Rbn)	68	61	65
Credit portfolio assets (Rbn)	46	45	45
Banks, treasuries and shorter dated assets (Rbn)	22	16	20

SA RETAIL – HEADLINE EARNINGS

for the six months ended 30 June 2019

Rm	30 June 2019	30 June 2018	12 months 31 December 2018
Expected profit and premium escalations	1 033	1 077	2 111
Variations, modelling and assumption changes	30	5	116
New business strain	(382)	(379)	(667)
Project and non-cost per policy expenses	(16)	(28)	(172)
Direct Financial Services	(8)	(12)	(31)
Other	115	(12)	109
Earnings before bancassurance	772	651	1 466
Liberty share of credit life bancassurance (net of all taxes)	92	93	201
Complex bancassurance preference dividend	(82)	(40)	(86)
Headline earnings	782	704	1 581

SA RETAIL – KEY PERFORMANCE INDICATORS

for the six months ended 30 June 2019

Rm (unless stated otherwise)	30 June 2019	30 June 2018	12 months 31 December 2018
Net customer cash flows	(616)	992	2 589
Insurance products	(513)	750	2 065
LISP	(103)	242	524
Gross sales (excluding LISP)	12 056	12 109	26 260
Indexed new business (excluding LISP)	3 130	3 111	6 495
Value of new business ⁽¹⁾	134	118	271
Retail margin excluding STANLIB (%) ⁽¹⁾	1,0	0,9	0,9
Retail new business margin including STANLIB (%) ⁽¹⁾	0,9	0,8	0,8

⁽¹⁾ The 30 June 2018 comparatives have been adjusted to be consistent with the embedded value basis as at 31 December 2018 which was prepared according to the new embedded value basis that applied from that date.

SA RETAIL – INDEXED NEW BUSINESS

for the six months ended 30 June 2019

Rm	30 June 2019	30 June 2018	12 months 31 December 2018
SA Retail Insurance (excluding Emerging Consumer Market)	2 799	2 780	5 860
Emerging Consumer Market	128	125	252
Total SA Retail Insurance	2 927	2 905	6 112
Direct Financial Services	44	36	84
STANLIB 'on balance sheet' sales	159	170	299
Total 'on balance sheet' sales	3 130	3 111	6 495
STANLIB 'off-balance sheet' sales	1 505	1 563	3 169
GateWay LISP 'off-balance sheet' sales	104	120	258
Total SA Retail distribution	4 739	4 794	9 922

SA RETAIL – MAINTENANCE COST PER POLICY

for the six months ended 30 June 2019

R	30 June 2019	30 June 2018	12 months 31 December 2018
Valuation basis			
Complex ⁽¹⁾	739	658	715
Simple	369	329	358
Annuities	369	329	358

⁽¹⁾ The recalculated 31 December 2018 maintenance cost per policy (previously R671 for complex) is after allowing for the impact of moving expenses from Liberty Holdings Limited to Liberty Group Limited as a result of a change to the operating model as reported in the 31 December 2018 disclosures.

SA RETAIL – NEGATIVE RAND RESERVES

as at 30 June 2019

Rm	30 June 2019	30 June 2018	12 months 31 December 2018
Published IFRS basis	14 850	15 639	14 903

The "negative rand reserves" include offsets between policies with positive and negative reserves. The policies included here are on products where the aggregate rand reserves are negative across the product type (e.g. risk, universal life and certain investment products). This therefore excludes those that in aggregate have positive rand reserves such as annuities, with-profit products and Guaranteed Investment Plans. Additionally the embedded derivative liabilities are also excluded from the above.

LIBERTY CORPORATE – HEADLINE EARNINGS

for the six months ended 30 June 2019

Rm	30 June 2019	30 June 2018	12 months 31 December 2018
Gross contribution	553	589	1 036
Underwriting margin	233	307	455
Fee income	293	278	559
Pension businesses and other income	27	4	22
Expenses and other items	(499)	(482)	(963)
Profit before taxation	54	107	73
Taxation	(15)	(30)	(21)
Headline earnings	39	77	52

LIBERTY CORPORATE – KEY PERFORMANCE INDICATORS

for the six months ended 30 June 2019

Rm (unless stated otherwise)	30 June 2019	30 June 2018	12 months 31 December 2018
Gross sales	994	988	2 228
Indexed new business	504	516	1 192
Value of new business ⁽¹⁾	22	19	73
New business margin (%) ⁽¹⁾	0,6	0,4	0,8
Net customer cash flows	(418)	(689)	(449)

⁽¹⁾ The 30 June 2018 comparatives have been adjusted to be consistent with the embedded value basis as at 31 December 2018 which was prepared according to the new embedded value basis that applied from that date.

RECONCILIATION OF AFRICA REGIONS AND OPERATIONS UNDER OWNERSHIP REVIEW EARNINGS

for the six months ended 30 June 2019

Rm	30 June 2019			30 June 2018			12 months 31 December 2018		
	Africa regions - remaining operations	Operations under ownership review ⁽¹⁾	Total	Africa regions - remaining operations	Operations under ownership review ⁽¹⁾	Total	Africa regions - remaining operations	Operations under ownership review ⁽¹⁾	Total
Liberty Africa Insurance	17		17	(6)	(1)	(7)	(19)	(18)	(37)
Liberty Health		(51)	(51)		(45)	(45)		(78)	(78)
STANLIB Africa	14	(13)	1	14	(4)	10	27	(19)	8
Total Africa regions	31	(64)	(33)	8	(50)	(42)	8	(115)	(107)
Short-term insurance ⁽²⁾					(31)			(51)	
Total operations under ownership review		(64)			(81)			(166)	

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

⁽²⁾ 2018 included the short-term insurance technology start-up, which was sold effective 2 January 2019.

LIBERTY HEALTH – HEADLINE EARNINGS

for the six months ended 30 June 2019

Rm	30 June 2019	30 June 2018	12 months 31 December 2018
Loss before depreciation and amortisation	(68)	(60)	(116)
Amortisation and depreciation	(2)	(4)	(7)
Loss before taxation	(70)	(64)	(123)
Taxation	19	19	45
Headline loss	(51)	(45)	(78)

LIBERTY HEALTH COVER PRODUCT AND HERITAGE KENYA (HERIFLEX) - LIVES SERVICED

as at 30 June 2019

Thousands	30 June 2019	31 December 2018	31 December 2017	31 December 2016
Region				
Eastern Africa	60	56	57	55
Western Africa	32	30	36	35
Southern Africa	40	32	29	31
Total	132	118	122	121
Liberty owned licences	72	69	79	81
Third party licences	60	49	43	40

LIBERTY AFRICA INSURANCE - HEADLINE EARNINGS

for the six months ended 30 June 2019

Rm	30 June 2019	30 June 2018	12 months 31 December 2018
Insurance entities earnings⁽¹⁾			
Long-term insurance	44	48	60
Short-term insurance	40	4	(7)
Headline earnings (before head office expenses)	84	52	53
Non-controlling shareholders share of headline earnings	(34)	(20)	(24)
Liberty share of headline earnings	50	32	29
Head office costs	(33)	(39)	(66)
Net headline earnings attributable to Liberty	17	(7)	(37)

⁽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 2019

Rm (unless stated otherwise)	30 June 2019	30 June 2018	12 months 31 December 2018
Embedded value of new business written in period	15	5	27
New business margin (%)	3,1	1,3	2,8
Long-term:			
Gross sales	367	228	530
Indexed new business	228	146	364
Net customer cash flows	366	201	385
Short-term:			
Net customer cash flows	179	107	246
Claims loss ratio (%)	42	57	54

LIBERTY AFRICA INSURANCE – LONG-TERM INSURANCE NET CASH FLOWS

for the six months ended 30 June 2019

Rm	30 June 2019	30 June 2018	12 months 31 December 2018
Net premiums by product type			
Retail	464	263	584
Single	108	28	91
Recurring	356	235	493
Institutional	332	353	704
Single	54	82	203
Recurring	278	271	501
Net premium income from insurance contracts and inflows from investment contracts	796	616	1 288
Net claims and policyholders benefits by product type			
Retail	(189)	(151)	(359)
Death, critical illness and disability claims	(27)	(30)	(58)
Policy surrender and maturity claims	(155)	(120)	(289)
Annuity payments	(7)	(1)	(12)
Institutional	(241)	(264)	(544)
Death, critical illness and disability claims	(70)	(55)	(118)
Scheme terminations and member withdrawals	(171)	(209)	(426)
Net claims and policyholders benefits	(430)	(415)	(903)
Net cash flow split as follows:	366	201	385
Retail	275	112	225
Institutional	91	89	160

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

for the six months ended 30 June 2019

Business unit	30 June 2019	30 June 2018	12 months 31 December 2018	30 June 2019	30 June 2018	12 months 31 December 2018	30 June 2019	30 June 2018	12 months 31 December 2018
	Indexed new business Rm	Indexed new business Rm	Indexed new business Rm	VONB Rm	VONB ⁽¹⁾ Rm	VONB Rm	VONB margin %	VONB margin ⁽¹⁾ %	VONB margin %
SA Retail	3 130	3 111	6 495	134	118	271	0,9	0,8	0,8
Liberty Corporate	504	516	1 192	22	19	73	0,6	0,4	0,8
Liberty Africa Insurance	228	146	364	15	5	27	3,1	1,3	2,8
Total	3 862	3 773	8 051	171	142	371	0,9	0,7	0,9

⁽¹⁾ The 30 June 2018 comparatives have been adjusted to be consistent with the embedded value basis as at 31 December 2018 which was prepared according to the new embedded value basis that applied from that date.

STANLIB SOUTH AFRICA - HEADLINE EARNINGS

for the six months ended 30 June 2019

	30 June 2019	30 June 2018	12 months 31 December 2018
Rm (unless stated otherwise)			
Net fee income	840	819	1 672
Base fees	834	819	1 651
Performance fees	6		21
Total operating expenses	(632)	(671)	(1 295)
Operating expenses	(601)	(646)	(1 237)
Non-recurring projects and expenses	(31)	(25)	(58)
Profit before investment income	208	148	377
Other income	62	64	116
Profit before taxation	270	212	493
Taxation	(61)	(37)	(138)
Total headline earnings	209	175	355
Average margin (bps)	34	31	34
Average assets under management (Rbn)	563	557	558

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

as at 30 June 2019

Rm	Net cash flows			Assets under management		
	6 months 30 June 2019	6 months 30 June 2018	12 months 31 December 2018	30 June 2019	30 June 2018	31 December 2018
Retail	4 853	5 127	6 098	234 376	229 770	221 297
Fixed interest	6 022	4 498	5 722	60 732	53 502	55 056
Equity	(118)	(3 429)	(562)	10 597	10 839	9 881
Property	(984)	(345)	(1 146)	9 144	11 265	9 661
Money Market	355	(352)	(48)	25 109	24 437	24 754
Absolute Return	138	2 020	2 710	8 325	7 760	8 220
Balanced	(194)	2 552	242	23 405	26 853	22 919
International	(332)	(592)	(808)	12 027	11 553	10 565
Retail Life	54	1			219	
LISP	107	916	360	82 710	80 606	77 829
Structured	(195)	(142)	(372)	2 327	2 736	2 412
Institutional	8 397	3 273	10 051	130 993	110 416	119 450
Fixed interest	2 727	(226)	5 577	30 946	20 415	26 489
Equity	1 070	1 432	(624)	11 512	10 948	9 837
Property	(1 451)	1 991	1 151	6 179	8 696	8 340
Money Market	3 144	(197)	7 042	67 824	56 534	64 309
Absolute Return	2 309	(802)	(647)	3 413	516	869
Balanced	443	949	(2 267)	8 208	10 624	7 273
International	155	126	(181)	2 204	2 047	1 701
Other				707	636	632
Liberty - Delta LISP	5 399	(585)	(397)	47 314	40 738	39 425
Liberty - intergroup ⁽¹⁾	(2 559)	(5 605)	(16 567)	153 474	178 238	168 753
Sub-total	16 090	2 210	(815)	566 157	559 162	548 925
Adjustment to transfer Liberty property portfolio assets to L2D internal asset manager ⁽¹⁾						(20 361)
Total	16 090	2 210	(815)	566 157	559 162	528 564

⁽¹⁾ The 31 December 2018 Liberty intergroup value for property includes an adjustment to transfer out the Liberty property portfolio assets of R20 361 million to L2D internal asset manager.

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

as at 30 June 2019

Rm	Money market (including cash)	Fixed interest	Equity	Property ⁽¹⁾	Other	Absolute return	Balanced	International	Structured	LISP	Total
30 June 2019											
Retail											
Collective Investments		55 853	7 239	6 378		7 557	14 359	12 027			103 413
Linked Investment and Structured Products									2 327	82 710	85 037
Money market	25 109					768	9 046				25 109
Multi-manager Collective Investments		4 879	3 358	2 766							20 817
Institutional											
Segregated funds	67 824	30 946	11 512	6 179	707	3 413	8 208	2 204			63 169
Money market											67 824
Liberty - Delta LISP										47 314	47 314
Liberty - intergroup	3 422	34 446	59 878	1 719	639	7 389	17 882	26 445	1 654		153 474
STANLIB total	96 355	126 124	81 987	17 042	1 346	19 127	49 495	40 676	3 981	130 024	566 157
31 December 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					767	8 481				24 754
Multi-manager Collective Investments		4 326	3 124	2 835							19 533
Institutional											
Segregated funds	64 309	26 489	9 837	8 340	632	869	7 273	1 701			55 141
Money market											64 309
Liberty - Delta LISP										39 425	39 425
Liberty - intergroup⁽¹⁾	4 186	33 734	55 840	2 802	563	7 113	18 118	24 576	1 460		148 392
STANLIB total	93 249	115 279	75 558	20 803	1 195	16 202	48 310	36 842	3 872	117 254	528 564

⁽¹⁾ The 31 December 2018 Liberty intergroup value for property includes an adjustment to transfer out the Liberty property portfolio assets of R20 361 million to L2D internal asset manager.

STANLIB SOUTH AFRICA – RETAIL INVESTMENT PERFORMANCE

for the six months ended 30 June 2019

Core retail funds – quartile performance Fund name	Rolling period					
	One year		Three-year		Five-year	
	2019	2018	2019	2018	2019	2018
STANLIB Equity	2	2	2	2	2	3
STANLIB SA Equity	3	2	4	4	4	4
STANLIB Bonded	1	2	2	3	3	3
STANLIB Bonded Cautious	1	4	3	3	2	3
STANLIB Absolute Plus	1	4	2	1	1	2
STANLIB Bond	3	1	1	1	1	2
STANLIB Income	1	2	1	1	1	1
STANLIB Money Market	2	2	2	2	2	2
STANLIB Flexible Income	2	4	4	4	4	4
STANLIB Aggressive Income ⁽¹⁾		4		2		4
STANLIB Property Income	3	4	4	4	3	3

⁽¹⁾ The STANLIB Aggressive Income Fund was rationalised during 2019 and hence no current year information is provided.

STANLIB SOUTH AFRICA – INSTITUTIONAL INVESTMENT PERFORMANCE

for the six months ended 30 June 2019

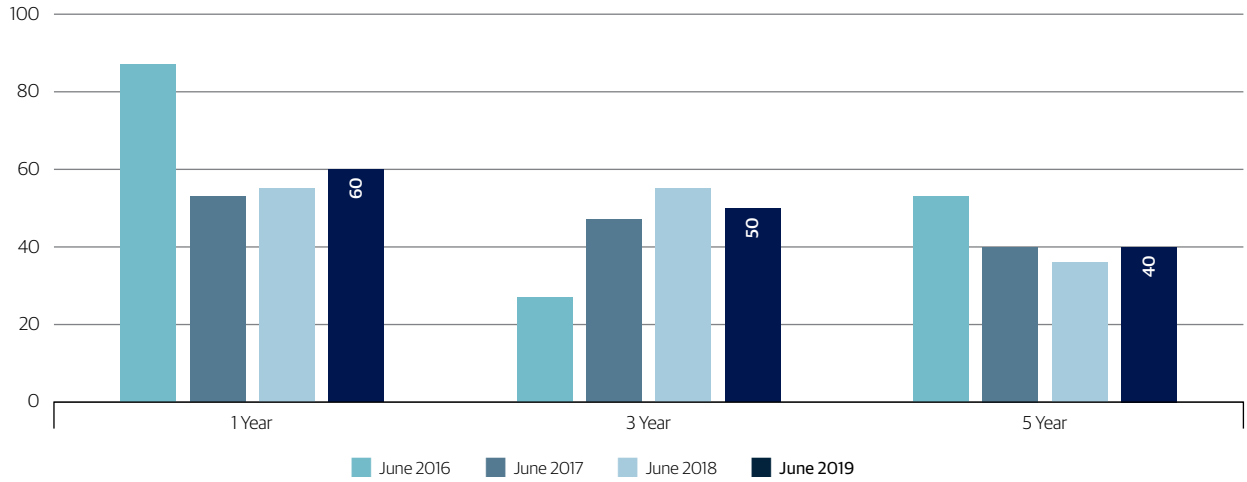
Survey funds (Alexander Forbes Surveys – quartile performance)	Rolling period					
	One year		Three-year		Five-year	
	2019	2018	2019	2018	2019	2018
Stanlib Core Bond	3	1	2	1	2	2
Money Market	4	2	3	3	4	4
STANLIB Property Income Fund	3	4	4	4	4	4
Large Manager – Global	1	4	3	4	4	4
Full Global Mandate	1	4	4	4	4	4
Domestic Only Mandate	1	4	4	4	4	4
Stanlib Core Equity	4	3	4	4	4	4
STANLIB Multi Factor Equity ⁽¹⁾	1	1	2	4	3	4
STANLIB Absolute Plus Fund	2	4	2	1	1	2

⁽¹⁾ Previously called the STANLIB Enhanced Index Fund.

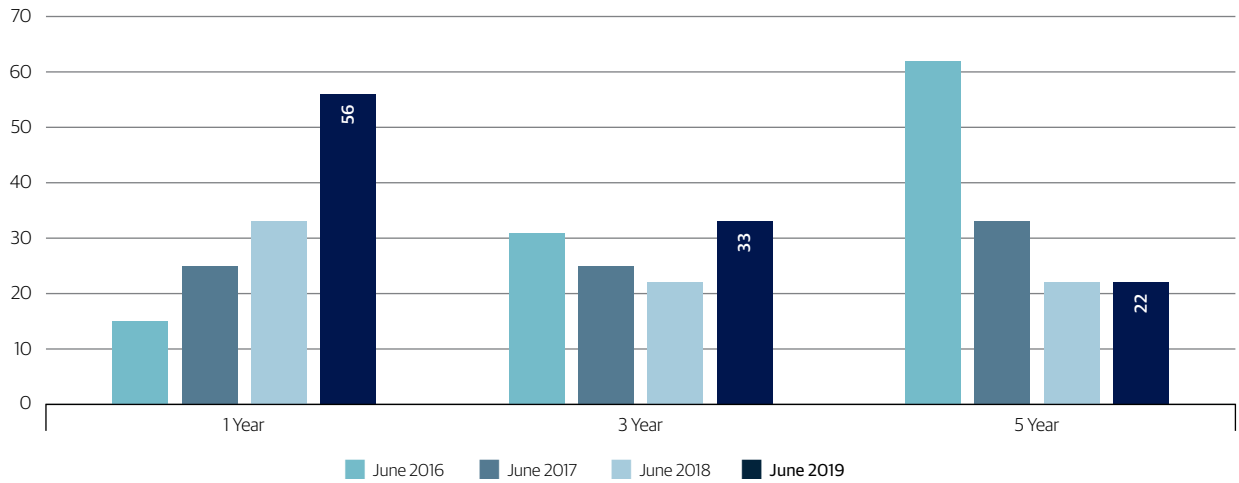
STANLIB SOUTH AFRICA – INVESTMENT PERFORMANCE

as at 30 June 2019

% 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 2019

	30 June 2019	30 June 2018	12 months 31 December 2018
Assets under management (Rm)			
Opening market value	51 204	52 531	52 531
Net cash inflows	(2 083)	(6 509)	(7 735)
External	(2 306)	(6 994)	(8 564)
Liberty – intragroup	223	485	829
Capital appreciation	1 504	3 706	6 408
Closing market value	50 625	49 728	51 204
Segregated funds	29 217	29 188	31 232
Unit trusts	7 373	7 835	7 264
Money market	14 035	12 705	12 708
Total assets under management	50 625	49 728	51 204

STANLIB AFRICA – ASSETS UNDER MANAGEMENT BY ASSET TYPE

as at 30 June 2019

	30 June 2019	30 June 2018	31 December 2018
Assets under management (Rm)			
Remaining operations⁽¹⁾	18 920	19 266	19 136
Fixed interest	4 796	4 752	4 756
Equity	4 324	4 672	4 429
Money market	8 421	8 396	8 596
Other	1 379	1 446	1 355
Operations under ownership review⁽²⁾	31 705	30 462	32 068
Fixed interest	14 358	13 767	15 181
Equity	4 786	5 724	4 963
Property	2 469	2 421	2 810
Money market	5 614	4 309	4 112
Other	4 478	4 241	5 002
Total assets under management	50 625	49 728	51 204
Combined			
Fixed interest	19 154	18 519	19 937
Equity	9 110	10 396	9 392
Property	2 469	2 421	2 810
Money Market	14 035	12 705	12 708
Other	5 857	5 687	6 357
	50 625	49 728	51 204

⁽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 six months ended 30 June 2019

Fair value hierarchy

1. Asset hierarchy

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

30 June 2019 Rm (Unaudited)	Level 1	Level 2	Level 3	Total
Equity instruments	113 672		3 596	117 268
Listed equities on the JSE or foreign exchanges	108 249			108 249
Unlisted equities			2 300	2 300
Scrip assets – listed equities on the JSE	5 423			5 423
Interests in joint ventures			1 296	1 296
Debt instruments	88 284	52 789	180	141 253
Listed preference shares on the JSE or foreign exchanges	3 569			3 569
Unlisted preference shares		107	180	287
Listed term deposits on BESA, JSE or foreign exchanges	81 430	6 405		87 835
Unlisted term deposits		46 277		46 277
Repurchase agreements and collateral assets	3 285			3 285
Mutual funds⁽¹⁾	6 348	100 935	1 548	108 831
Property	10	915		925
Equity instruments	2 565	14 364	771	17 700
Interest-bearing instruments	885	19 689		20 574
Mixed asset classes	2 888	65 967	777	69 632
Investment policies		3 618	1 194	4 812
Derivative assets held for trading and for hedging		7 607		7 607
Equity instruments		800		800
Currency exchange instruments		901		901
Interest rate instruments		5 906		5 906
Policy loans receivable ⁽³⁾			699	699
Collateral deposits receivable		2 828		2 828
Prepayments and other receivables held at FVPL ⁽²⁾			4 090	4 090
Cash and cash equivalents held at FVPL ⁽²⁾		10 202		10 202
Properties			36 109	36 109
Total assets subject to fair value hierarchy analysis	208 304	177 979	47 416	433 699
Other assets not subject to fair value hierarchy analysis:				
Intangible assets				573
Defined benefit pension fund employer surplus				129
Equipment				1 205
Interest in joint venture – equity accounted				54
Interest in associates – equity accounted				9
Deferred taxation				390
Deferred acquisition costs				789
Long-term policyholder assets – insurance contracts				6 569
Reinsurance assets				2 226
Policy loans receivable ⁽³⁾				415
Prepayments and other receivables held at amortised cost				775
Insurance contract receivables				1 504
Cash and cash equivalents held at amortised cost				4 183
Disposal groups classified as held for sale				740
Total assets as per statement of financial position				453 260

⁽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 six months ended 30 June 2019

1. Asset hierarchy (continued)

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

31 December 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 ⁽³⁾			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 ⁽²⁾		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 six months ended 30 June 2019

2. Liability hierarchy

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

30 June 2019 Rm (Unaudited)	Level 1	Level 2	Level 3	Total
Policyholder long-term investment contract liabilities		105 337		105 337
Third-party financial liabilities arising on consolidation of mutual funds		51 877	1 585	53 462
Financial liabilities ⁽¹⁾		5 675		5 675
Repurchase agreements liabilities		3 310		3 310
Liabilities held for trading and for hedging		8 398		8 398
Insurance and other payables at FVPL			6 558	6 558
Collateral deposits payable		4 960		4 960
Total liabilities subject to fair value hierarchy analysis		179 557	8 143	187 700
31 December 2018				
Rm (Audited)				
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

⁽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.

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 2019 Rm (Unaudited)	Amortised cost	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost					
Policy loans receivables – net carrying value	415	386			386
Financial liabilities measured at amortised cost					
Loan facilities	1 598	1 598		1 598	
31 December 2018					
Rm (Audited)					
Financial assets measured at amortised cost					
Policy loans receivables – net carrying value	340	316			316
Financial liabilities measured at amortised cost					
Loan facilities	1 626	1 626		1 626	

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 six months ended 30 June 2019

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 2019	Audited 12 months 31 December 2018
Balance at the beginning of the year		39 751
IFRS 9 reclassification from amortised cost to FVPL of loan receivables		831
Balance restated after IFRS 9 adjustment	42 908	40 582
Fair value adjustment recognised in profit or loss as part of investment gains ⁽¹⁾	36	823
Fair value adjustment recognised in other comprehensive income ⁽¹⁾	(12)	19
Foreign currency translation	(6)	41
Additions	598	1 456
Disposals	(261)	(276)
Movements on third-party share of financial instruments in mutual funds	63	263
Balance at the end of the year	43 326	42 908
Financial instruments – prepayments and other receivables⁽²⁾	4 090	3 037
Balance at the end of the year, including prepayments and other receivables	47 416	45 945
Properties	36 109	35 961
Financial instruments – equity and mutual funds	5 144	4 781
Financial instruments – debt	180	186
Financial instruments – policy loan receivables	699	737
Financial instruments – prepayments and other receivables	4 090	3 037
Financial instruments – investment policies	1 194	1 243

⁽¹⁾ Included in the fair value adjustments is a R24 million unrealised gain (2018: R713 million unrealised loss).

⁽²⁾ 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 balance is currently immaterial and therefore a reconciliation is not provided.

Rm	30 June 2019	12 months 31 December 2018
Balance at the beginning of the year	1 558	1 229
Unrealised fair value adjustments and net movements on consolidated mutual funds	27	329
Balance at the end of the year	1 585	1 558

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 six months ended 30 June 2019

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 2019 range between 6,3% and 9,5% (31 December 2018: between 6,3% and 9,5%). This compares to the ten year government yield of 8,13% (31 December 2018: 8,875%). The non-observable adjustments included in the valuation can therefore be referenced to the variance to the ten year government rate. Discount rates in 2019 were between 12,25% to 15,25%.

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.

30 June 2019 Rm (Unaudited)	Change in exit capitalisation rate		
	Total	1% increase	1% decrease
Properties below 6,8% capitalisation rate	30 777	26 655	36 137
Properties between 6,8 – 8,5% capitalisation rate	1 906	1 694	2 177
Properties between 8,6 – 9,5% capitalisation rate	3 426	3 088	3 848
Total	36 109	31 437	42 162
31 December 2018 Rm (Audited)			
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

The table below indicates the sensitivity of the aggregate market values for a 1% change in the discount rate.

30 June 2019 Rm (Unaudited)	Change in discount rate		
	Total	1% increase	1% decrease
Total properties	36 109	34 654	37 284
31 December 2018 Rm (Audited)			
Total properties	35 961	34 558	37 170

FAIR VALUE MEASUREMENT DISCLOSURES (CONTINUED)

for the six months ended 30 June 2019

5. Sensitivity analysis of level 3 assets (continued)

5.2 Financial instrument assets

	Unaudited 30 June 2019		Audited 31 December 2018	
	Rm	Discount rate %	Rm	Discount rate %
Equities and mutual funds				
Unlisted equities	2 300	10-14	1 951	10-14
Interests in joint venture	1 296	14	1 297	14
Mutual funds	1 548	10-19	1 533	10-19
Investment policies	1 194	11	1 243	11
Debt				
Unlisted preference shares	180	12	186	12
Policy loan receivables	699	12	737	12

Approximately 97% (31 December 2018: 97%) 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 2019			Audited 31 December 2018		
	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	1 474	(85)	99	1 191	(83)	97

FAIR VALUE MEASUREMENT DISCLOSURES (CONTINUED)

for the six months ended 30 June 2019

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)	Face value Premium burden Life expectancy Bond and interbank swap 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	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 six months ended 30 June 2019

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 loan receivables	DCF	Prime interest rate Term
Prepayments and other receivables	DCF	Applicable risk-free rate
	Age analysis	Applicable credit margin
	DCF	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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