



**LIBERTY**



# **Liberty Holdings Limited**

**Supplementary information  
for the year ended 31 December**

# **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 year ended 31 December 2019

Rm	Group funds invested		Contribution to earnings	
	2019	2018	2019	2018
<b>South African Insurance Operations</b>	<b>18 690</b>	<b>18 088</b>	<b>2 990</b>	<b>2 204</b>
Fixed assets and working capital/ insurance operating surplus <sup>(4)</sup>	9 126	8 684	2 179	1 592
Present value of in-force business	2	7	(5)	(5)
Investment portfolios	15 205	15 029	1 155	984
Subordinated notes at fair value	(5 643)	(5 632)	(339)	(367)
<b>South African Asset Management</b>				
STANLIB South Africa	913	852	460	355
<b>Africa regions</b>	<b>1 299</b>	<b>1 298</b>	<b>(93)</b>	<b>(107)</b>
Liberty Africa Insurance	920	926	29	(19)
STANLIB Africa	114	84	25	27
Operations under ownership review <sup>(1)</sup>	265	288	(147)	(115)
<b>Central costs and sundry income<sup>(4)</sup></b>			<b>(156)</b>	<b>(151)</b>
<b>Liberty Holdings Limited</b>	<b>2 103</b>	<b>1 731</b>		
Operations under ownership review <sup>(1)</sup>		94		(51)
Liberty Two Degrees consolidation adjustment <sup>(2),(3)</sup>	1 063	940	55	397
Preference share dividend			(2)	(2)
<b>Headline earnings</b>			<b>3 254</b>	<b>2 645</b>
Preference share dividend			2	2
Profit on disposal of subsidiary			141	
Remeasurement of disposal groups classified as held for sale			(319)	(249)
<b>Liberty Holdings shareholders' equity/total earnings</b>	<b>24 068</b>	<b>23 003</b>	<b>3 078</b>	<b>2 398</b>
<b>Normalised</b>				
Liberty Holdings shareholders' equity/headline earnings	24 068	23 003	3 254	2 645
BEE preference shares	78	99	6	8
Liberty Two Degrees normalisation adjustment <sup>(2),(3)</sup>	(504)	(522)	(55)	(397)
<b>Normalised shareholders' equity/headline earnings</b>	<b>23 642</b>	<b>22 580</b>	<b>3 205</b>	<b>2 256</b>

<sup>(1)</sup> Disposals of the short-term insurance technology start-up, STANLIB Ghana and STANLIB Botswana were effective on 27 February 2019, 1 December 2019 and 31 December 2019 respectively. Remaining operations under ownership review at 31 December 2019 were asset management operations in Uganda and Kenya, the Health solutions business and short-term insurance businesses in Botswana and Malawi.

<sup>(2)</sup> Reversal of the accounting mismatch arising on consolidation of the policyholders obligation linked to L2D units.

<sup>(3)</sup> 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 R1 046 million (2018: R932 million) at Liberty Group Limited level plus additional R17 million (2018: R8 million) at a Liberty Holdings group level.

<sup>(4)</sup> The 2018 results have been normalised to reflect the change in operating model as reported in the 31 December 2018 disclosures, whereby certain functions and therefore related costs were transferred from the Liberty holding company to the South African insurance businesses.



# ANALYSIS OF GROUP EARNINGS – CORE EARNINGS

for the year ended 31 December 2019

Rm	2019	2018
<b>South African Insurance Operations</b>	<b>2 558</b>	<b>2 634</b>
SA Retail planned margin release including annual contribution increases	1 874	2 028
SA Retail credit life	208	201
SA Retail VIF amortisation	(5)	(5)
Liberty Corporate <sup>(1)</sup>	85	34
LibFin Markets	396	376
<b>Expected long-term rate of return on Shareholder Investment Portfolio<sup>(2)</sup></b>	<b>1 322</b>	<b>1 389</b>
<b>South African Asset Management</b>		
STANLIB South Africa	430	380
<b>Africa regions</b>	<b>54</b>	<b>8</b>
Liberty Africa Insurance	29	(19)
STANLIB Africa	25	27
<b>Central costs and sundry income</b>	<b>(152)</b>	<b>(145)</b>
Centre costs and sundry income <sup>(1)</sup>	(158)	(153)
BEE preference share income	6	8
<b>Core operating earnings</b>	<b>4 212</b>	<b>4 266</b>
SA Retail new business strain <sup>(1)</sup>	(633)	(704)
SA Retail operating variances, assumption changes and other	61	24
<b>Adjusted core operating earnings</b>	<b>3 640</b>	<b>3 586</b>
Operations under ownership review <sup>(3)</sup>	(147)	(166)
Variance to long-term rate of return on Shareholder Investment Portfolio	(318)	(1 139)
STANLIB South Africa sustainable earnings adjustment	30	(25)
<b>Normalised headline earnings</b>	<b>3 205</b>	<b>2 256</b>

<sup>(1)</sup> The 2018 results have been normalised to reflect the change in operating model as reported in the 31 December 2018 disclosures, whereby certain functions and therefore related costs were transferred from the Liberty holding company to the South African insurance businesses.

<sup>(2)</sup> 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.

<sup>(3)</sup> Disposals of the short-term insurance technology start-up, STANLIB Ghana and STANLIB Botswana were effective on 27 February 2019, 1 December 2019 and 31 December 2019 respectively. Remaining operations under ownership review at 31 December 2019 were asset management operations in Uganda and Kenya, the Health solutions business and short-term insurance businesses in Botswana and Malawi.

# SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

for the year ended 31 December 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 difference between the amount of required capital and the present value of future releases of this capital, allowing for future net of tax investment returns expected to be earned on this 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 conventional annuities, guaranteed investment plans, and embedded derivatives; for all other business the investment yields at the date of reporting have been used.

# SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 2019

## 2. Normalised embedded value

Rm (unless otherwise stated)	2019	2018
Risk discount rate % <sup>(1)</sup>	11,97	12,22
Net worth	18 360	17 706
Ordinary shareholders' funds on published basis	19 736	19 020
BEE preference share funding	78	99
Adjustment of ordinary shareholders' funds from published basis <sup>(2)</sup>	(321)	(328)
Liberty Two Degrees normalisation <sup>(3)</sup>	(1 046)	(932)
Adjustment for carrying value of in-force business acquired <sup>(4)</sup>	(2)	(7)
Allowance for fair value of share rights	(35)	(46)
Frank Financial Services allowance for future expenses	(50)	(100)
Net value of life business in-force	15 999	15 981
Value of life business in-force	19 154	19 019
Cost of required capital	(3 155)	(3 038)
<b>Normalised embedded value</b>	<b>34 359</b>	<b>33 687</b>

## 3. Normalised embedded value earnings

Embedded value at the end of the period	34 359	33 687
Intragroup dividends <sup>(5)</sup>	2 235	2 252
Funding of restricted share plan	3	80
Beginning of year IFRS 9 transition adjustment		121
Beginning of year adjustment for introduction of new prudential regime <sup>(6)</sup>		(139)
Embedded value at the beginning of the period	(33 687)	(34 581)
<b>Embedded value earnings</b>	<b>2 910</b>	<b>1 420</b>
<b>Return on embedded value (%)</b>	<b>8,6</b>	<b>4,1</b>

# SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 2019

## 4. Analysis of normalised embedded value earnings

Rm	2019				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 at the end of the period	18 360	19 154	(3 155)	34 359	17 706	19 019	(3 038)	33 687
Intragroup dividends <sup>(5)</sup>	2 235			2 235	2 252			2 252
Funding of restricted share plan	3			3	80			80
Beginning of year IFRS 9 transition adjustment					121			121
Beginning of year adjustment for introduction of new prudential regime <sup>(6)</sup>					(6 932)	5 300	1 493	(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)
<b>Embedded value earnings</b>	<b>2 892</b>	<b>135</b>	<b>(117)</b>	<b>2 910</b>	<b>2 093</b>	<b>(818)</b>	<b>145</b>	<b>1 420</b>
<b>Components of embedded value earnings</b>								
Value of new business written in the period	(824)	1 382	(200)	358	(868)	1 405	(193)	344
Expected return on value of in-force business <sup>(7)</sup>		2 259	114	2 373		2 312	121	2 433
Expected net of tax profit transfer to net worth	3 090	(3 090)			3 160	(3 160)		
Variations/changes in operating assumptions	(30)	(203)	(32)	(265)	290	161	56	507
Operating experience variances <sup>(8)</sup>	(119)	(55)	(32)	(206)	253	114	56	423
Operating assumption changes <sup>(9)</sup>	94	(195)		(101)	52	51		103
Changes in modelling methodology	(5)	47		42	(15)	(4)		(19)
Development expenses	(47)			(47)	(9)			(9)
New operating model - expense impact <sup>(10)</sup>					(332)	(40)		(372)
<b>Embedded value earnings from operations</b>	<b>2 189</b>	<b>348</b>	<b>(118)</b>	<b>2 419</b>	<b>2 241</b>	<b>678</b>	<b>(16)</b>	<b>2 903</b>
Economic adjustments	692	(213)	1	480	(138)	(1 496)	161	(1 473)
Return on net worth and other adjustments <sup>(11)</sup>	576			576	2			2
Investment variances <sup>(12)</sup>	(387)	(254)	(12)	(653)	(250)	(1 149)	174	(1 225)
Changes in economic assumptions <sup>(13)</sup>	503	41	13	557	110	(347)	(13)	(250)
Change in allowance for fair value of share rights <sup>(14)</sup>	11			11	(10)			(10)
<b>Normalised embedded value earnings</b>	<b>2 892</b>	<b>135</b>	<b>(117)</b>	<b>2 910</b>	<b>2 093</b>	<b>(818)</b>	<b>145</b>	<b>1 420</b>

# SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 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.

%	Investment return p.a.	
	2019	2018
Government stock	9,17	9,42
Equities	12,67	12,92
Property	10,17	10,42
Cash	7,67	7,92
The risk discount rate has been set equal to the risk-free rate plus 80% of the equity risk premium	11,97	12,22
Maintenance expense inflation rate	7,42	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.
- (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 R2 million (31 December 2018: R7 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.
- (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 2019 operating experience variance of negative R206 million (31 December 2018: positive R423 million) comprised:



# SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 2019

## 5. Notes to embedded value (continued)

	Net worth	Value of in-force covered business	Cost of required capital	Embedded value
<b>Operating experience variances (Rm)</b>				
<b>2019</b>				
SA Retail	(101)	61	(32)	(72)
Mortality and morbidity	98	26		124
Policyholder behaviour	(145)	5		(140)
Other <sup>(i)</sup>	(54)	30	(32)	(56)
Liberty Corporate <sup>(ii)</sup>	(128)	(116)		(244)
Credit portfolio variance	110			110
<b>Total</b>	<b>(119)</b>	<b>(55)</b>	<b>(32)</b>	<b>(206)</b>
<b>2018</b>				
SA Retail	263	57	56	376
Mortality and morbidity	189	61		250
Policyholder behaviour	(115)	50		(65)
Other <sup>(i)</sup>	189	(54)	56	191
Liberty Corporate	(140)	57		(83)
Credit portfolio variance	130			130
<b>Total</b>	<b>253</b>	<b>114</b>	<b>56</b>	<b>423</b>

<sup>(i)</sup> This item includes tax variances.

<sup>(ii)</sup> The amount of negative R116 million on the value of in-force relates to lower overall book growth, which included higher terminations, in the context of a difficult economic environment.

- (9) The amount of negative R101 million (31 December 2018: positive R103 million) is primarily due to negative policyholder behaviour assumption changes which were partially offset by positive expense assumption changes.
- (10) This was the anticipated impact of reserving for expenses that resided in Liberty Holdings Limited that 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.
- (11) Reconciliation of embedded value return on net worth and other adjustments to LibFin Investments earnings:

Rm	2019	2018
Shareholder Investment Portfolio after consolidation of L2D	1 004	250
Adjustment to reflect L2D at listed share price	(87)	(207)
Shareholder Investment Portfolio earnings	917	43
Remove 90:10 book	(178)	27
Frank Financial Services	19	(39)
BEE preference scheme	7	8
Central treasury investments	64	61
Other <sup>(i)</sup>	(253)	(98)
<b>Return on net worth and other adjustments</b>	<b>576</b>	<b>2</b>

<sup>(i)</sup> This includes continued investment in the modernisation of the group's investment platform to better serve customers of the group and the movement in the fair value adjustments to financial liabilities arising from own credit.

# SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 2019

## 5. Notes to embedded value (continued)

- (12) The amount of negative R653 million (31 December 2018: negative R1 225 million) is a result of the investment returns for the period being below assumption.
- (13) The amount of positive R557 million (31 December 2018: negative R250 million) relates to changes in economic assumptions as described in note (1).
- (14) The amount of positive R11 million (31 December 2018: negative R10 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 increases, 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 2019

## 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 initial reserve and solvency capital requirement 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. In addition, management action has been assumed for demographic sensitivities on risk contracts where appropriate. Each value is shown with only the indicated parameter being changed.

Rm	Value of in-force life business less cost of required capital at 31 December 2019	Value of new business written in 2019	Value of in-force life business less cost of required capital at 31 December 2018	Value of new business written in 2018
<b>Base value</b>	<b>15 999</b>	<b>358</b>	<b>15 981</b>	<b>344</b>
Value of in-force/new business	19 154	558	19 019	537
Cost of required capital	(3 155)	(200)	(3 038)	(193)
<b>100 basis point increase in risk discount rate</b>	<b>14 199</b>	<b>230</b>	<b>14 251</b>	<b>216</b>
Value of in-force/new business	18 062	473	17 954	450
Cost of required capital	(3 863)	(243)	(3 703)	(234)
<b>100 basis point decrease in interest rate environment</b>	<b>16 496</b>	<b>484</b>	<b>16 385</b>	<b>456</b>
Value of in-force/new business	19 609	683	19 391	648
Cost of required capital	(3 113)	(199)	(3 006)	(192)
<b>10% fall in equity and property market values</b>	<b>15 472</b>		<b>15 435</b>	
Value of in-force	18 627		18 473	
Cost of required capital	(3 155)		(3 038)	
<b>100 basis point increase in equity and property returns</b>	<b>17 002</b>	<b>400</b>	<b>17 004</b>	<b>386</b>
Value of in-force/new business	19 709	573	19 624	552
Cost of required capital	(2 707)	(173)	(2 620)	(166)
<b>10% decrease in maintenance expenses</b>	<b>16 942</b>	<b>432</b>	<b>16 889</b>	<b>422</b>
Value of in-force/new business	20 097	632	19 927	615
Cost of required capital	(3 155)	(200)	(3 038)	(193)
<b>10% decrease in new business acquisition expenses (other than commissions)</b>		<b>494</b>		<b>478</b>
Value of new business		694		671
Cost of required capital		(200)		(193)
<b>10% decrease in withdrawal rates</b>	<b>17 634</b>	<b>552</b>	<b>17 624</b>	<b>528</b>
Value of in-force/new business	20 789	752	20 662	721
Cost of required capital	(3 155)	(200)	(3 038)	(193)
<b>5% decrease in mortality and morbidity for life assurance business</b>	<b>17 583</b>	<b>495</b>	<b>17 464</b>	<b>468</b>
Value of in-force/new business	20 738	695	20 502	661
Cost of required capital	(3 155)	(200)	(3 038)	(193)
<b>5% decrease in mortality for annuity business</b>	<b>15 766</b>	<b>346</b>	<b>15 751</b>	<b>339</b>
Value of in-force/new business	18 921	546	18 789	532
Cost of required capital	(3 155)	(200)	(3 038)	(193)

# BANCASSURANCE – BENEFIT TO LIBERTY

as at 31 December 2019

Liberty share (Rm)	2019	2018
<b>Credit Life</b>		
IFRS headline earnings	208	201
Embedded value of in-force contracts	537	505
<b>Other insurance products</b>		
Embedded value of new business	53	49
Embedded value of in-force contracts	808	811
<b>STANLIB</b>		
Net service fees on assets under management sourced from Standard Bank distribution	495	460

## 90:10 SHAREHOLDER EXPOSURE

as at 31 December 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 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	2019	2018
Exposure as at the beginning of the period	3 472	3 920
Expected earnings	267	287
Variance	(89)	(314)
<b>Total net earnings</b>	<b>178</b>	<b>( 27)</b>
Exposure as at the end of the period	3 172	3 472

# LONG-TERM POLICYHOLDER LIABILITIES IFRS RECONCILIATION

as at 31 December 2019

Rm	2019	2018
Policyholder liabilities at beginning of the 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)
Transfers to policyholder liabilities	12 678	(12 157)
Net premium income from insurance contracts and inflows from investment contracts	56 219	55 075
Net insurance premiums	38 250	37 174
Fund inflows from investment contracts	17 969	17 901
Investment returns	30 883	1 485
Net claims and policyholder benefits	(56 361)	(53 073)
Net insurance claims	(38 680)	(36 990)
Fund outflows from investment contracts	(17 681)	(16 083)
Acquisition costs	(3 667)	(3 831)
Management expenses, finance costs and profit share allocations	(10 061)	(9 916)
Taxation	(2 372)	( 876)
Operating profit from insurance operations	(1 963)	(1 021)
Foreign currency translation reserve	(64)	411
<b>Policyholder liabilities at end of period net of reinsurance</b>	<b>315 484</b>	<b>302 870</b>
Policyholder liabilities	324 246	310 994
Reinsurance liabilities	246	283
Policyholder assets	(7 017)	(6 708)
Reinsurance assets	(1 991)	(1 699)



# LONG-TERM INSURANCE – NEW BUSINESS BY DISTRIBUTION CHANNEL<sup>(1)</sup>

for the year ended 31 December 2019

Rm	Recurring premiums		Single premiums		Total premiums		Indexed premiums	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Retail</b>	<b>6 042</b>	<b>5 899</b>	<b>22 088</b>	<b>22 131</b>	<b>28 130</b>	<b>28 030</b>	<b>8 252</b>	<b>8 112</b>
Broker	1 073	1 149	6 498	5 552	7 571	6 701	1 723	1 704
Bancassurance	3 040	2 787	4 869	6 126	7 909	8 913	3 527	3 399
Tied channels <sup>(2)</sup>	1 659	1 717	10 372	10 179	12 031	11 896	2 697	2 736
Other	270	246	349	274	619	520	305	273
<b>Institutional<sup>(3)</sup></b>	<b>1 173</b>	<b>1 144</b>	<b>1 148</b>	<b>1 233</b>	<b>2 321</b>	<b>2 377</b>	<b>1 288</b>	<b>1 268</b>
Broker	705	740	381	515	1 086	1 255	744	792
Bancassurance	19	17	19	17	19	17	19	17
Tied channels <sup>(2)</sup>	416	376	603	650	1 019	1 026	476	441
Other	33	11	164	68	197	79	49	18
<b>Total new business</b>	<b>7 215</b>	<b>7 043</b>	<b>23 236</b>	<b>23 364</b>	<b>30 451</b>	<b>30 407</b>	<b>9 540</b>	<b>9 380</b>
<b>Split between:</b>								
<b>South Africa<sup>(1)</sup></b>								
<b>SA Retail</b>	<b>5 795</b>	<b>5 687</b>	<b>21 775</b>	<b>21 962</b>	<b>27 570</b>	<b>27 649</b>	<b>7 973</b>	<b>7 884</b>
Broker	1 068	1 143	6 362	5 483	7 430	6 626	1 704	1 691
Bancassurance	2 948	2 722	4 859	6 111	7 807	8 833	3 434	3 333
Tied channels <sup>(2)</sup>	1 527	1 585	10 372	10 177	11 899	11 762	2 565	2 604
Other	252	237	182	191	434	428	270	256
<b>Liberty Corporate<sup>(3)</sup></b>	<b>1 011</b>	<b>1 010</b>	<b>1 126</b>	<b>1 218</b>	<b>2 137</b>	<b>2 228</b>	<b>1 124</b>	<b>1 132</b>
Broker	641	675	359	500	1 000	1 175	678	725
Bancassurance	19	17	19	17	19	17	19	17
Tied channels <sup>(2)</sup>	348	318	603	650	951	968	408	383
Other	3		164	68	167	68	19	7
<b>Total new business</b>	<b>6 806</b>	<b>6 697</b>	<b>22 901</b>	<b>23 180</b>	<b>29 707</b>	<b>29 877</b>	<b>9 097</b>	<b>9 016</b>
<b>Liberty Africa Insurance</b>								
<b>Retail</b>	<b>247</b>	<b>212</b>	<b>313</b>	<b>169</b>	<b>560</b>	<b>381</b>	<b>279</b>	<b>228</b>
Broker	5	6	136	69	141	75	19	13
Bancassurance	92	65	10	15	102	80	93	66
Tied channels <sup>(2)</sup>	132	132	2	2	132	134	132	132
Other	18	9	167	83	185	92	35	17
<b>Institutional</b>	<b>162</b>	<b>134</b>	<b>22</b>	<b>15</b>	<b>184</b>	<b>149</b>	<b>164</b>	<b>136</b>
Broker	64	65	22	15	86	80	66	67
Tied channels <sup>(2)</sup>	68	58			68	58	68	58
Other	30	11			30	11	30	11
<b>Total new business</b>	<b>409</b>	<b>346</b>	<b>335</b>	<b>184</b>	<b>744</b>	<b>530</b>	<b>443</b>	<b>364</b>

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

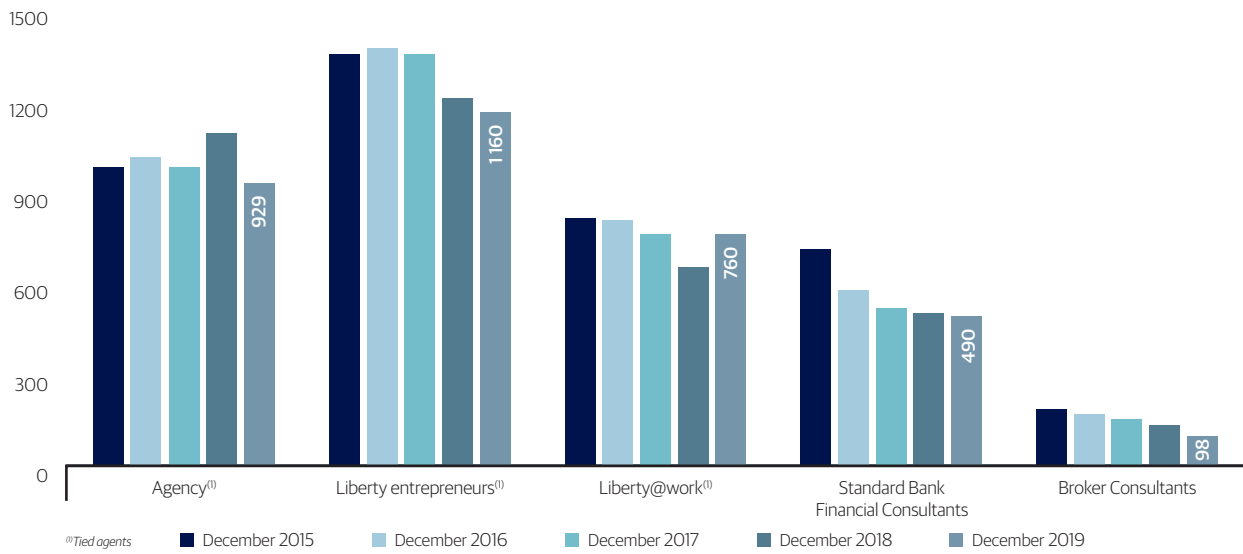
<sup>(2)</sup> Tied channels include Agency, Liberty entrepreneurs and Liberty@work.

<sup>(3)</sup> 2018 adjusted for change in classification in Liberty Corporate from recurring to single premiums for additional investment voluntary contributions.

# SOUTH AFRICAN INSURANCE DISTRIBUTION HEADCOUNT

as at 31 December 2019

## SOUTH AFRICAN INSURANCE DISTRIBUTION HEADCOUNT



# SHAREHOLDER INVESTMENT PORTFOLIO

as at 31 December 2019

Exposure category	2019				2018			
	Local Rm	Foreign Rm	Total Rm	%	Local Rm	Foreign Rm	Total Rm	%
Equities	4 437	3 587	8 024	29	4 403	3 736	8 139	30
Bonds	8 657	584	9 241	34	8 051	734	8 785	32
Cash	4 671	20	4 691	17	4 602	213	4 815	18
Property	2 736		2 736	10	2 533		2 533	9
Other	1 794	1 019	2 813	10	1 762	1 158	2 920	11
<b>Total</b>	<b>22 295</b>	<b>5 210</b>	<b>27 505</b>	<b>100</b>	<b>21 351</b>	<b>5 841</b>	<b>27 192</b>	<b>100</b>
Assets backing capital			15 205	55			15 029	55
Assets backing policyholder liabilities			9 128	33			8 691	32
90:10 exposure			3 172	12			3 472	13
<b>Reconciliation to IFRS shareholders' equity</b>								
Shareholder Investment Portfolio			27 505				27 192	
Less: 90:10 exposure			(3 172)				(3 472)	
Less: Subordinated notes			(5 643)				(5 632)	
<b>South African insurance operations group funds</b>			<b>18 690</b>				<b>18 088</b>	
<b>Liberty Group Limited group's IFRS shareholders' equity</b>			<b>19 736</b>				<b>19 020</b>	
Insurance group funds			18 690				18 088	
Liberty Two Degrees <sup>(1)</sup>			1 046				932	

<sup>(1)</sup> 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 31 December 2019

Exposure category %	2019				2018			
	Assets backing capital	Assets backing policyholder liabilities	90:10 exposure	Total	Assets backing capital	Assets backing policyholder liabilities	90:10 exposure	Total
<b>Local assets</b>								
Equities	11		5	16	10		6	16
Bonds, cash and property	23	33	2	58	31	22	3	56
Other	7			7	7			7
<b>Foreign assets</b>								
Equities	10		3	13	3	9	2	14
Bonds, cash and property	1		2	3		1	2	3
Other	3			3	4			4
<b>Total</b>	<b>55</b>	<b>33</b>	<b>12</b>	<b>100</b>	<b>55</b>	<b>32</b>	<b>13</b>	<b>100</b>

# SHAREHOLDER INVESTMENT PORTFOLIO RETURN

as at 31 December 2019

Rm	2019	2018
Realised gross result	2 188	1 027
Taxation	(619)	(194)
Subordinated notes at fair value	(503)	(525)
Expenses (including asset management fees)	(62)	(58)
<b>Net profit</b>	<b>1 004</b>	<b>250</b>
<b>Gross return (%)</b>	<b>8,0</b>	<b>3,7</b>

## 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 2019

Rm (unless otherwise stated)	2019	2018
Net earnings from credit portfolio	282	302
<b>Total LibFin assets (Rbn)</b>	<b>70</b>	<b>65</b>
Credit portfolio assets (Rbn)	52	45
Banks, treasuries and shorter dated assets (Rbn)	18	20

# SUMMARY OF GROUP LONG-TERM INDEXED NEW BUSINESS, VONB, VONB MARGIN AND LONG-TERM INSURANCE CASH FLOWS

for the year ended 31 December 2019

Business unit	2019	2018	2019	2018	2019	2018	2019	2018
	Indexed new business Rm	Indexed new business Rm	VONB Rm	VONB Rm	VONB margin %	VONB margin %	Net customer cash flows Rm	Net customer cash flows Rm
SA Retail	6 558	6 495	290	271	0,9	0,8	197	2 065
Liberty Corporate <sup>(1)</sup>	1 124	1 132	68	73	0,9	0,8	(1 030)	(449)
Liberty Africa Insurance	443	364	49	27	4,1	2,8	691	385
<b>Total</b>	<b>8 125</b>	<b>7 991</b>	<b>407</b>	<b>371</b>	<b>1,0</b>	<b>0,9</b>	<b>(142)</b>	<b>2 001</b>

<sup>(1)</sup> 2018 adjusted for change in classification in Liberty Corporate from recurring to single premiums for additional investment voluntary contributions.

## SA RETAIL – HEADLINE EARNINGS

for the year ended 31 December 2019

Rm	2019	2018
Expected profit and premium escalations	2 029	2 111
Variances, modelling and assumption changes	12	116
New business strain <sup>(1)</sup>	(633)	(704)
Project and non-cost per policy expenses	(6)	(172)
Direct financial services	(9)	(31)
Other	50	109
<b>Earnings before bancassurance</b>	<b>1 443</b>	<b>1 429</b>
Liberty share of credit life bancassurance (net of all taxes)	208	201
Complex bancassurance preference dividend	(146)	(86)
<b>Headline earnings</b>	<b>1 505</b>	<b>1 544</b>

<sup>(1)</sup> The 2018 results have been normalised to reflect the change in operating model as reported in the 31 December 2018 disclosures, whereby certain functions and therefore related costs were transferred from the Liberty holding company to the South African insurance businesses.

## SA RETAIL – KEY PERFORMANCE INDICATORS

as at 31 December 2019

Rm (unless stated otherwise)	2019	2018
Net customer cash flows	142	2 589
Insurance products	197	2 065
LISP	(55)	524
Gross sales (excluding LISP)	26 155	26 260
Indexed new business (excluding LISP)	6 558	6 495
Value of new business	290	271
Retail margin excluding STANLIB (%)	1,0	0,9
Retail new business margin including STANLIB (%)	0,9	0,8



## SA RETAIL – INDEXED NEW BUSINESS

as at 31 December 2019

Rm	2019	2018
SA Retail Insurance (excluding emerging consumer market)	5 853	5 860
Emerging consumer market	272	252
<b>Total SA Retail Insurance</b>	<b>6 125</b>	<b>6 112</b>
Direct Financial Services	96	84
STANLIB 'on balance sheet' sales	337	299
<b>Total 'on balance sheet' sales</b>	<b>6 558</b>	<b>6 495</b>
STANLIB 'off-balance sheet' sales	3 368	3 169
GateWay LISP 'off-balance sheet' sales	232	258
<b>Total SA Retail distribution</b>	<b>10 158</b>	<b>9 922</b>

## SA RETAIL – MAINTENANCE COST PER POLICY

as at 31 December 2019

R	2019	2018
<b>Valuation basis</b>		
Complex <sup>(1)</sup>	744	715
Simplex	372	358
Annuities	372	358

<sup>(1)</sup> 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<sup>(1)</sup>

as at 31 December 2019

Rm	2019	2018
Published IFRS basis	14 860	14 903

<sup>(1)</sup> Gross of taxation.

By their nature, "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 year ended 31 December 2019

Rm	2019	2018
Gross contribution	1 120	1 036
Underwriting margin	462	455
Fee income	570	559
Pension businesses and other income	88	22
Expenses and other items <sup>(1)</sup>	(1 000)	(981)
<b>Profit before taxation</b>	<b>120</b>	<b>55</b>
Taxation	(35)	(21)
<b>Headline earnings</b>	<b>85</b>	<b>34</b>

<sup>(1)</sup> The 2018 results have been normalised to reflect the change in operating model as reported in the 31 December 2018 disclosures, whereby certain functions and therefore related costs were transferred from the Liberty holding company to the South African insurance businesses.

## LIBERTY CORPORATE – KEY PERFORMANCE INDICATORS

for the year ended 31 December 2019

Rm (unless stated otherwise)	2019	2018
Gross sales	2 137	2 228
Indexed new business <sup>(1)</sup>	1 124	1 132
Value of new business	68	73
New business margin (%)	0,9	0,8
Net customer cash flows	(1 030)	(449)

<sup>(1)</sup> 2018 adjusted for change in classification in Liberty Corporate from recurring to single premiums for additional investment voluntary contributions.

## RECONCILIATION OF AFRICA REGIONS AND OPERATIONS UNDER OWNERSHIP REVIEW EARNINGS

for the year ended 31 December 2019

Rm	2019			2018		
	Africa regions - remaining operations	Operations under ownership review <sup>(1)</sup>	Total	Africa regions - remaining operations	Operations under ownership review <sup>(1)</sup>	Total
Liberty Africa Insurance	29	(14)	15	(19)	(18)	(37)
Liberty Health		(126)	(126)		(78)	(78)
STANLIB Africa	25	(7)	18	27	(19)	8
<b>Total Africa regions</b>	<b>54</b>	<b>(147)</b>	<b>(93)</b>	<b>8</b>	<b>(115)</b>	<b>(107)</b>
Short-term insurance					(51)	
<b>Total operations under ownership review</b>		<b>(147)</b>			<b>(166)</b>	

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

## LIBERTY HEALTH – HEADLINE EARNINGS

for the year ended 31 December 2019

Rm	2019	2018
Loss before depreciation and amortisation	(129)	(116)
Amortisation and depreciation	(6)	(7)
<b>Loss before taxation</b>	<b>(135)</b>	<b>(123)</b>
Taxation	9	45
<b>Headline loss</b>	<b>(126)</b>	<b>(78)</b>

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

as at 31 December 2019

Thousands	2019	2018	2017	2016
<b>Region</b>				
Eastern Africa	63	56	57	55
Western Africa	31	30	36	35
Southern Africa	37	32	29	31
<b>Total</b>	<b>131</b>	<b>118</b>	<b>122</b>	<b>121</b>
Liberty-owned licenses	76	69	79	81
Third-party licenses	55	49	43	40

## LIBERTY AFRICA INSURANCE – HEADLINE EARNINGS

for the year ended 31 December 2019

Rm	2019	2018
<b>Insurance entities earnings<sup>(1)</sup></b>		
Long-term insurance	68	60
Short-term insurance	80	(7)
<b>Headline earnings (before head office expenses)</b>	<b>148</b>	<b>53</b>
Non-controlling shareholders share of headline earnings	(65)	(24)
Liberty share of headline earnings	83	29
Head office costs	(68)	(66)
<b>Net headline earnings attributable to Liberty</b>	<b>15</b>	<b>(37)</b>

<sup>(1)</sup> 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 2019

Rm (unless stated otherwise)	2019	2018
Embedded value of new business written in period	49	27
New business margin (%)	4,1	2,8
<b>Long term:</b>		
Gross sales	744	530
Indexed new business	443	364
Net customer cash flows	691	385
<b>Short term:</b>		
Net customer cash flows	368	246
Claims loss ratio (%)	41	54

# LIBERTY AFRICA INSURANCE – LONG-TERM INSURANCE NET CASH FLOWS

for the year ended 31 December 2019

Rm	2019	2018
<b>Net premiums by product type</b>		
<b>Retail</b>	692	584
Single	97	91
Recurring	595	493
<b>Institutional</b>	913	704
Single	369	203
Recurring <sup>(1)</sup>	544	501
<b>Net premium income from insurance contracts and inflows from investment contracts<sup>(1)</sup></b>	<b>1 605</b>	<b>1 288</b>
<b>Net claims and policyholders benefits by product type</b>		
<b>Retail</b>	(428)	(359)
Death, critical illness and disability claims	(115)	(58)
Policy surrender and maturity claims	(299)	(289)
Annuity payments	(14)	(12)
<b>Institutional</b>	(486)	(544)
Death, critical illness and disability claims	(39)	(118)
Scheme terminations and member withdrawals <sup>(1)</sup>	(447)	(426)
<b>Net claims and policyholders benefits<sup>(1)</sup></b>	<b>(914)</b>	<b>(903)</b>
<b>Net cash flow split as follows:</b>	<b>691</b>	<b>385</b>
Retail	264	225
Institutional	427	160

<sup>(1)</sup> Recurring premiums and scheme terminations and member withdrawals have been reduced to normalise for a large internal switch of funds in 2019.

# STANLIB SOUTH AFRICA – HEADLINE EARNINGS

for the year ended 31 December 2019

Rm (unless stated otherwise)	2019	2018
Net fee income	1 747	1 672
Base fees	1 722	1 651
Performance fees	25	21
Total operating expenses	(1 259)	(1 295)
Operating expenses	(1 157)	(1 237)
Non-recurring projects and expenses	(102)	(58)
<b>Profit before investment income</b>	<b>488</b>	<b>377</b>
Other income	160	116
<b>Profit before taxation</b>	<b>648</b>	<b>493</b>
Taxation	(188)	(138)
<b>Total headline earnings</b>	<b>460</b>	<b>355</b>
<b>Average margin (bps)</b>	<b>31</b>	<b>34</b>
<b>Average assets under management (Rbn)</b>	<b>563</b>	<b>558</b>



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

as at 31 December 2019

Rm	Net cash flows		Assets under management	
	2019	2018	2019	2018
<b>Retail</b>	<b>8 148</b>	<b>6 098</b>	<b>241 307</b>	<b>221 297</b>
Fixed interest	11 497	5 722	66 354	55 056
Equity	51	(562)	10 296	9 881
Property	(1 742)	(1 146)	7 988	9 661
Money market	89	(48)	24 842	24 754
Absolute return	(309)	2 710	8 096	8 220
Balanced	(1 613)	242	22 859	22 919
International	140	(808)	13 102	10 565
LISP	459	360	85 734	77 829
Structured	(424)	(372)	2 036	2 412
<b>Institutional</b>	<b>7 042</b>	<b>10 051</b>	<b>130 764</b>	<b>119 450</b>
Fixed interest	3 915	5 577	32 400	26 489
Equity	2 054	(624)	12 582	9 837
Property	(1 893)	1 151	5 548	8 340
Money market	(835)	7 042	64 404	64 309
Absolute return	2 231	(647)	3 417	869
Balanced	715	(2 267)	8 643	7 273
International	855	(181)	3 044	1 701
Other			726	632
Liberty - Delta LISP	2 551	(397)	46 387	39 425
Liberty - intragroup <sup>(1)</sup>	(7 606)	(16 567)	149 389	148 392
<b>Total</b>	<b>10 135</b>	<b>(815)</b>	<b>567 847</b>	<b>528 564</b>

<sup>(1)</sup> 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 31 December 2019

Rm	Money market (including cash)	Fixed interest	Equity	Property	Other	Absolute return	Balanced	International	Structured	LISP	Total
<b>2019</b>											
<b>Retail</b>											
Collective investments		61 050	6 843	5 591		7 297	13 853	13 102			107 736
Linked investment and structured products									2 036	85 734	87 770
Money market	24 842										24 842
Multi-manager collective investments		5 304	3 453	2 397		799	9 006				20 959
<b>Institutional</b>											
Segregated funds		32 400	12 582	5 548	726	3 417	8 643	3 044			66 360
Money market	64 404										64 404
<b>Liberty - Delta LISP</b>											
<b>Liberty - intragroup</b>	3 872	32 734	56 257	1 370	644	9 916	17 734	25 258	1 604	46 387	149 389
<b>STANLIB total</b>	<b>93 118</b>	<b>131 488</b>	<b>79 135</b>	<b>14 906</b>	<b>1 370</b>	<b>21 429</b>	<b>49 236</b>	<b>41 404</b>	<b>3 640</b>	<b>132 121</b>	<b>567 847</b>
<b>2018</b>											
<b>Retail</b>											
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
<b>Institutional</b>											
Segregated funds		26 489	9 837	8 340	632	869	7 273	1 701			55 141
Money market	64 309										64 309
<b>Liberty - Delta LISP</b>											
<b>Liberty - intragroup<sup>(1)</sup></b>	4 186	33 734	55 840	2 802	563	7 113	18 118	24 576	1 460	39 425	39 425
<b>STANLIB total</b>	<b>93 249</b>	<b>115 279</b>	<b>75 558</b>	<b>20 803</b>	<b>1 195</b>	<b>16 202</b>	<b>48 310</b>	<b>36 842</b>	<b>3 872</b>	<b>117 254</b>	<b>528 564</b>

<sup>(1)</sup> 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 year ended 31 December 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	1	2	3	2	3
STANLIB SA Equity	4	3	4	4	4	4
STANLIB Bonded	2	1	2	3	3	4
STANLIB Bonded Cautious	1	3	3	4	3	3
STANLIB Absolute Plus	4	1	1	1	1	1
STANLIB Bond	1	3	1	1	1	2
STANLIB Income	2	1	1	1	1	1
STANLIB Money Market	2	2	2	2	2	2
STANLIB Flexible Income	1	4	4	4	4	4
STANLIB Aggressive Income <sup>(1)</sup>		3		1		2
STANLIB Property Income	2	4	4	3	3	3

<sup>(1)</sup> 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 year ended 31 December 2019

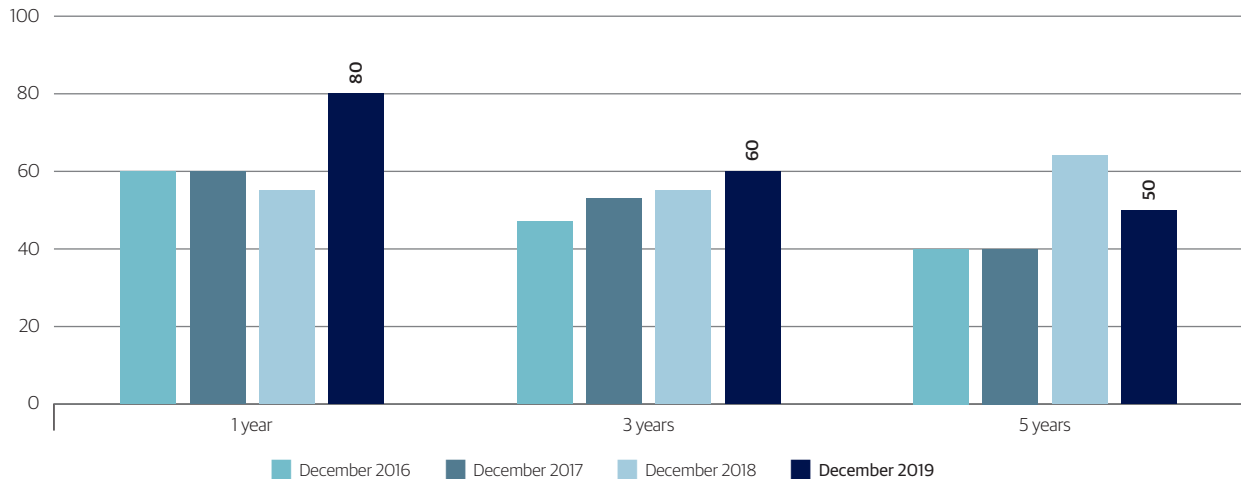
Survey funds (Alexander Forbes Surveys – quartile performance)	Rolling period					
	One year		Three-year		Five-year	
	2019	2018	2019	2018	2019	2018
Stanlib Core Bond	2	3	2	1	2	2
Money Market	4	4	3	3	3	4
STANLIB Property Income Fund	2	4	4	4	4	4
Large Manager – Global	1	1	3	4	4	4
Full Global Mandate	2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

<sup>(1)</sup> Previously called the STANLIB Enhanced Index Fund.

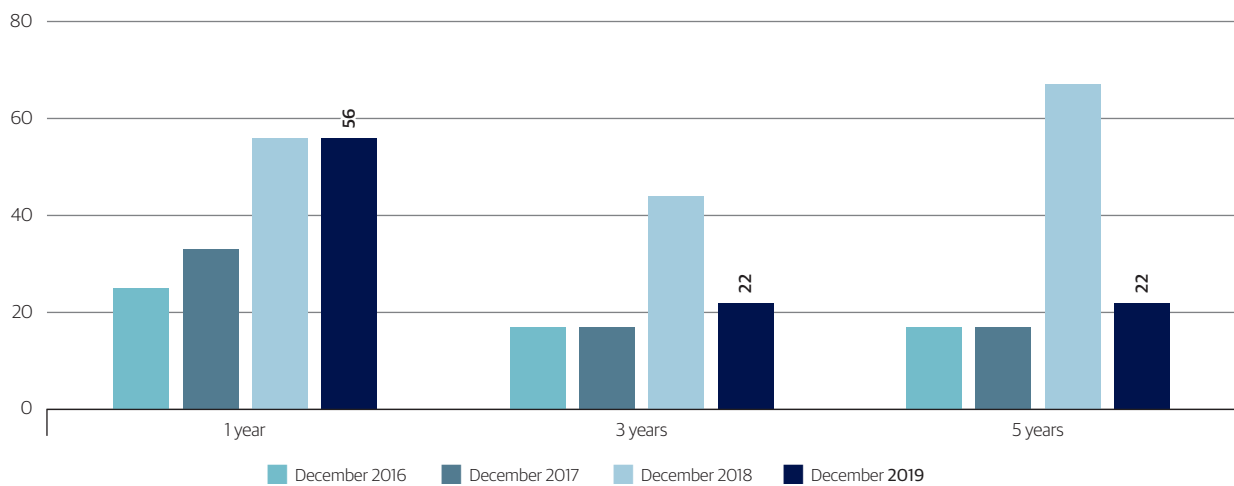
# STANLIB SOUTH AFRICA - INVESTMENT PERFORMANCE

as at 31 December 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 31 December 2019

Assets under management (Rm)	2019	2018
Opening market value	51 204	52 531
Net cash inflows	(2 043)	(7 735)
External	(2 347)	(8 564)
Liberty – intragroup	304	829
STANLIB Kenya discontinued mandates <sup>(1)</sup>	(11 181)	
STANLIB Africa disposals of entities <sup>(1)</sup>	(14 236)	
Capital appreciation	4 652	6 408
<b>Closing market value</b>	<b>28 396</b>	<b>51 204</b>
Segregated funds	14 458	31 232
Unit trusts	4 741	7 264
Money market	9 197	12 708
<b>Total assets under management</b>	<b>28 396</b>	<b>51 204</b>

<sup>(1)</sup> Operations under ownership review include STANLIB Kenya and STANLIB Uganda. STANLIB Botswana and STANLIB Ghana were disposed of during the period under review.

# STANLIB AFRICA – ASSETS UNDER MANAGEMENT BY ASSET TYPE

as at 31 December 2019

Assets under management (Rm)	2019	2018
<b>Remaining operations<sup>(1)</sup></b>	<b>18 835</b>	<b>19 136</b>
Fixed interest	3 954	4 756
Equity	3 613	4 429
Money market	8 107	8 596
Other	3 161	1 355
<b>Operations under ownership review<sup>(2)</sup></b>	<b>9 561</b>	<b>32 068</b>
Fixed interest	1 498	15 181
Equity	5 573	4 963
Property	1 400	2 810
Money market	1 090	4 112
Other		5 002
<b>Total assets under management</b>	<b>28 396</b>	<b>51 204</b>
<b>Combined</b>		
Fixed interest	5 452	19 937
Equity	9 186	9 392
Property	1 400	2 810
Money market	9 197	12 708
Other	3 161	6 357
	<b>28 396</b>	<b>51 204</b>

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

<sup>(2)</sup> Operations under ownership review include STANLIB Kenya and STANLIB Uganda. STANLIB Botswana and STANLIB Ghana were disposed of during the period under review. Under IFRS these are disclosed as disposal groups classified as held for sale.



# FAIR VALUE MEASUREMENT DISCLOSURES

for the year ended 31 December 2019

## Fair value hierarchy

### 1. Asset hierarchy

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

2019 Rm (Audited)	Level 1	Level 2	Level 3	Total
<b>Equity instruments</b>	<b>109 127</b>	<b>28</b>	<b>3 956</b>	<b>113 111</b>
Listed equities on the JSE or foreign exchanges	103 378			103 378
Unlisted equities		28	2 694	2 722
Scrip assets – listed equities on the JSE	5 749			5 749
Interests in joint ventures			1 262	1 262
<b>Debt instruments</b>	<b>80 096</b>	<b>68 430</b>	<b>189</b>	<b>148 715</b>
Listed preference shares on the JSE or foreign exchanges	3 547			3 547
Unlisted preference shares		104	189	293
Listed term deposits on BESA, JSE or foreign exchanges	70 725	17 960		88 685
Unlisted term deposits		50 366		50 366
Repurchase agreements and collateral assets	5 824			5 824
<b>Mutual funds<sup>(1)</sup></b>	<b>11 083</b>	<b>102 045</b>	<b>1 224</b>	<b>114 352</b>
Property	125	910		1 035
Equity instruments	3 542	15 371	657	19 570
Interest-bearing instruments	60	22 332		22 392
Mixed asset classes	7 356	63 432	567	71 355
Investment policies		2 342	901	3 243
Derivative assets held for trading and for hedging		7 739		7 739
Equity instruments		976		976
Currency exchange instruments		262		262
Interest rate instruments		6 501		6 501
Policy loans receivable			665	665
Properties			36 294	36 294
Collateral deposits receivable		2 264		2 264
Prepayments and other receivables held at fair value through profit or loss			2 284	2 284
Cash and cash equivalents held at fair value through profit or loss		11 173		11 173
<b>Total assets subject to fair value hierarchy analysis</b>	<b>200 306</b>	<b>194 021</b>	<b>45 513</b>	<b>439 840</b>
<b>Other assets not subject to fair value hierarchy analysis:</b>				
Intangible assets				611
Defined benefit pension fund employer surplus				117
Equipment				1 078
Interest in joint venture – equity accounted				54
Interest in associates – equity accounted				10
Deferred taxation				317
Deferred acquisition costs				790
Long-term policyholder assets – insurance contracts				7 017
Reinsurance assets				2 409
Policy loans receivable				248
Prepayments other receivables held at amortised cost				817
Insurance contract receivables				1 578
Cash and cash equivalents held at amortised cost				6 204
Disposal groups classified as held for sale				584
<b>Total assets as per statement of financial position</b>				<b>461 674</b>

<sup>(1)</sup> 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 years ended 31 December 2019

## 1. Asset hierarchy (continued)

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

2018 Rm (Audited)	Level 1	Level 2	Level 3	Total
<b>Equity instruments</b>	<b>106 606</b>	<b>1</b>	<b>3 248</b>	<b>109 855</b>
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
<b>Debt instruments</b>	<b>85 890</b>	<b>51 351</b>	<b>186</b>	<b>137 427</b>
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
<b>Mutual funds<sup>(1)</sup></b>	<b>6 127</b>	<b>91 003</b>	<b>1 533</b>	<b>98 663</b>
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			737	737
Properties			35 961	35 961
Collateral deposits receivable		4 105		4 105
Prepayments and other receivables held at fair value through profit or loss			3 037	3 037
Cash and cash equivalents held at fair value through profit or loss		10 024		10 024
<b>Total assets subject to fair value hierarchy analysis</b>	<b>198 623</b>	<b>170 938</b>	<b>45 945</b>	<b>415 506</b>
<b>Other assets not subject to fair value hierarchy analysis:</b>				
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 <sup>(3)</sup>				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
<b>Total assets as per statement of financial position</b>				<b>437 274</b>

<sup>(1)</sup> 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 years ended 31 December 2019

## 2. Liability hierarchy

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

2019 Rm (Audited)	Level 1	Level 2	Level 3	Total
Policyholder long-term investment contract liabilities		107 891		107 891
Third-party financial liabilities arising on consolidation of mutual funds		55 218	1 540	56 758
Financial liabilities		5 673		5 673
Repurchase agreements liabilities		5 929		5 929
Liabilities held for trading and for hedging		7 932		7 932
Insurance and other payables held at fair value through profit or loss			5 753	5 753
Collateral deposits payable		6 545		6 545
<b>Total liabilities subject to fair value hierarchy analysis</b>		<b>189 188</b>	<b>7 293</b>	<b>196 481</b>
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		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 held at fair value through profit or loss			4 628	4 628
Collateral deposits payable		5 976		5 976
<b>Total liabilities subject to fair value hierarchy analysis</b>		<b>173 123</b>	<b>6 186</b>	<b>179 309</b>

# FAIR VALUE MEASUREMENT DISCLOSURES (CONTINUED)

for the years ended 31 December 2019

## 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:

2019 Rm (Audited)	Amortised cost	Fair value	Level 1	Level 2	Level 3
<b>Financial assets measured at amortised cost</b>					
Policy loans receivable - net carrying value	248	230			230
<b>Financial liabilities measured at amortised cost</b>					
Loan facilities	2 119	2 084		2 084	
2018					
Rm (Audited)					
<b>Financial assets measured at amortised cost</b>					
Policy loans receivable - net carrying value	340	316			316
<b>Financial liabilities measured at amortised cost</b>					
Loan facilities <sup>(1)</sup>	1 626	1 626		1 626	

<sup>(1)</sup> The financial liability for 2018 was 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 years ended 31 December 2019

## 4. Reconciliation of level 3 assets and liabilities

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

Rm (Audited)	2019	2018
Balance at the beginning of the year - excluding prepayments and other receivables	42 908	39 751
IFRS 9 reclassification from amortised cost to fair value through profit or loss of policy loans receivable		831
Balance restated after IFRS 9 adjustment	42 908	40 582
Fair value adjustment recognised in profit or loss as part of investment gains <sup>(1)</sup>	(259)	823
Fair value adjustment recognised in other comprehensive income <sup>(1)</sup>	(8)	19
Foreign currency translation		41
Additions	1 283	1 456
Disposals	(707)	(276)
Movements on third-party share of financial instruments in mutual funds	12	263
<b>Balance at the end of the year - excluding prepayments and other receivables</b>	<b>43 229</b>	<b>42 908</b>
<b>Financial instruments - prepayments and other receivables<sup>(2)</sup></b>	<b>2 284</b>	<b>3 037</b>
<b>Balance at the end of the year</b>	<b>45 513</b>	<b>45 945</b>
Properties	36 294	35 961
Financial instruments - equity and mutual funds	5 180	4 781
Financial instruments - debt	189	186
Financial instruments - policy loans receivable	665	737
Financial instruments - prepayments and other receivables	2 284	3 037
Financial instruments - investment policies	901	1 243

<sup>(1)</sup> Included in the fair value adjustments is a R341 million unrealised loss (2018: R713 million unrealised gain).

<sup>(2)</sup> 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	2019	2018
Balance at the beginning of the year	1 558	1 229
Unrealised fair value adjustments and net movements on consolidated mutual funds	(18)	329
<b>Balance at the end of the year</b>	<b>1 540</b>	<b>1 558</b>

No movement analysis is provided for other payables that are included as level 3 liabilities 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 years ended 31 December 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 31 December 2019 range between 6,5% to 10% (2018: between 6,3% to 9,5%). This compares to the ten year government yield of 9,17% (2018: 9,42%). 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.

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

2019 Rm (Audited)	Change in exit capitalisation rate		
	Total	1% increase	1% decrease
Properties below 6,8% capitalisation rate	16 151	14 593	18 168
Properties between 6,8 – 8,5% capitalisation rate	16 559	15 067	18 271
Properties between 8,5 – 10,0% capitalisation rate	3 584	3 325	3 908
<b>Total</b>	<b>36 294</b>	<b>32 985</b>	<b>40 347</b>
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 8,5 – 9,5% capitalisation rate	3 061	2 757	3 441
<b>Total</b>	<b>35 961</b>	<b>31 350</b>	<b>41 589</b>

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

2019 Rm (Audited)	Change in discount rate		
	Total	1% increase	1% decrease
Total properties	36 294	34 862	37 490
2018			
Rm (Audited)			
Total properties	35 961	34 558	37 170

# FAIR VALUE MEASUREMENT DISCLOSURES (CONTINUED)

for the years ended 31 December 2019

## 5. Sensitivity analysis of level 3 assets (continued)

### 5.2 Financial instrument assets

	Audited 2019		Audited 2018	
	Rm	Discount rate %	Rm	Discount rate %
<b>Equities and mutual funds</b>				
Unlisted equities	2 694	10-14	1 951	10-14
Interests in joint venture	1 262	14	1 297	14
Mutual funds	1 224	10-19	1 533	10-19
Investment policies	901	11	1 243	11
<b>Debt</b>				
Unlisted preference shares	189	12	186	12
Policy loans receivable	665	12	737	12

Approximately 98% (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.

	Audited 2019			Audited 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	1 344	(82)	95	1 191	(83)	97

# FAIR VALUE MEASUREMENT DISCLOSURES (CONTINUED)

for the years ended 31 December 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 management 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 unlisted 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 years ended 31 December 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: 4,0% to 5,5%) 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 Recent arm's length transactions	Not applicable 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 Age analysis	Applicable risk-free rate Applicable credit margin Expected cash flows
Other payables	DCF Age analysis	Applicable credit margin including Liberty's own credit risk
Third-party financial liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable

# CONTACT DETAILS

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