



LIBERTY

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Liberty Holdings Limited
Supplementary information
for the year ended
31 December 2020

CONTENTS

	Page
Analysis of shareholders' equity	1
Analysis of group earnings – core earnings	2
South African covered business embedded value	3
Bancassurance – Benefit to Liberty	10
90:10 Shareholder exposure	10
Long-term policyholder liabilities IFRS reconciliation	11
Long-term insurance – New business by distribution channel	12
South African insurance distribution headcount	13
Shareholder Investment Portfolio	14
Shareholder Investment Portfolio percentage allocation	15
Shareholder Investment Portfolio return	15
LibFin Markets – Credit portfolio	15
Summary of group long-term indexed new business, VONB, VONB margin and long-term insurance cash flows	16
SA Retail – Headline earnings	16
SA Retail – Key performance indicators	16
SA Retail – Indexed new business	17
SA Retail – Maintenance cost per policy	17
SA Retail – Negative rand reserves	17
Liberty Corporate – Headline earnings	18
Liberty Corporate – Key performance indicators	18
Reconciliation of Africa regions and operations under ownership review earnings	18
Liberty Health – Headline earnings	19
Liberty Health Cover Product and Heritage Kenya (Heriflex) – Lives serviced	19
Liberty Africa Insurance – Headline earnings	19
Liberty Africa Insurance – Key performance indicators	20
Liberty Africa Insurance – Long-term insurance net cash flows	20
STANLIB South Africa – Headline earnings	21
STANLIB South Africa – Net cash flows and assets under management by asset category	22
STANLIB South Africa – Assets under management breakdown by source and asset type	23
STANLIB South Africa – Retail investment performance	24
STANLIB South Africa – Institutional investment performance	24
STANLIB South Africa – Investment performance	25
STANLIB Africa – Assets under management	26
STANLIB Africa – Assets under management by asset type	26

ANALYSIS OF SHAREHOLDERS' EQUITY

for the year ended 31 December 2020

Rm	Group funds invested		Contribution to earnings	
	2020	2019	2020	2019
South African Insurance Operations	15 165	18 690	(1 576)	2 990
Fixed assets and working capital/ insurance operating surplus	9 618	9 126	(2 553)	2 179
Present value of in-force business		2	(2)	(5)
Investment portfolios	11 545	15 205	1 301	1 155
Subordinated notes at fair value	(5 998)	(5 643)	(322)	(339)
South African Asset Management				
STANLIB South Africa	1 012	913	466	460
Africa regions	1 572	1 299	(48)	(93)
Liberty Africa Insurance	959	920	22	29
Liberty Health ⁽¹⁾	433		(43)	
STANLIB Africa	111	114	27	25
Operations under ownership review ⁽¹⁾	69	265	(54)	(147)
Group Strategic Initiatives			(307)	(171)
Central costs and sundry income			(109)	15
Liberty Holdings Limited	1 951	2 103		
Liberty Two Degrees consolidation adjustment^{(2),(3)}	1 313	1 063	37	55
Preference share dividend			(2)	(2)
Headline (loss)/earnings			(1 539)	3 254
Preference share dividend			2	2
Profit on disposal of subsidiary			14	141
Impairment of intangible assets			(125)	
Remeasurement of disposal groups classified as held for sale			35	(319)
Liberty Holdings shareholders' equity/total (loss)/earnings	21 013	24 068	(1 613)	3 078
Normalised				
Liberty Holdings shareholders' equity/headline (loss)/earnings	21 013	24 068	(1 539)	3 254
BEE preference shares	64	78	4	6
Liberty Two Degrees normalisation adjustment ^{(2),(3)}	(252)	(504)	(37)	(55)
Normalised shareholders' equity/headline (loss)/earnings	20 825	23 642	(1 572)	3 205

⁽¹⁾ During 2020 sales were completed of the asset management operations in Kenya and Uganda, Liberty General Insurance Malawi and Liberty Health Administration (Pty) Ltd ("LHA" - a licensed medical aid administrator in South Africa). Two business operations, namely the short term insurance operations in Botswana and Total Health Trust Limited in Nigeria (part of Health risk solutions) remain classified as disposal groups, as both are subject to sale processes at 31 December 2020. The balance of Health risk solutions, being mainly the provision of health expense insurance throughout sub-Saharan Africa, was reclassified back to continuing operations at 30 June 2020. This was due to no acceptable purchase offers being forthcoming.

⁽²⁾ Reversal of the accounting mismatch arising on consolidation of the policyholders' obligation linked to L2D units.

⁽³⁾ 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 294 million (2019: R1 046 million) at Liberty Group Limited level plus additional R19 million (2019: R17 million) at a Liberty Holdings group level.

ANALYSIS OF GROUP EARNINGS – CORE EARNINGS

for the year ended 31 December 2020

Rm	2020	2019
South African Insurance Operations	2 159	2 558
SA Retail planned margin release including annual contribution increases	1 843	1 874
SA Retail credit life	192	208
SA Retail VIF amortisation	(1)	(5)
Liberty Corporate	38	109
Liberty Corporate - Fund rehabilitation	(80)	(24)
LibFin Markets	167	396
Expected long-term rate of return on Shareholder Investment Portfolio⁽¹⁾	1 229	1 322
South African Asset Management		
STANLIB South Africa	430	430
Africa Regions	21	54
Liberty Africa Insurance	37	29
Liberty Health ⁽²⁾	(43)	
STANLIB Africa	27	25
Group Strategic Initiatives	(307)	(171)
Central costs and sundry income	(107)	19
Centre costs and sundry income	(111)	13
BEE preference share income	4	6
Core operating earnings - before COVID-19 pandemic reserve	3 425	4 212
Establishment of COVID-19 pandemic reserve	(2 227)	
Core operating earnings	1 198	4 212
SA Retail new business strain	(804)	(633)
SA Retail operating variances, assumption changes and other	(746)	61
Adjusted core operating (loss)/earnings	(352)	3 640
Operations under ownership review ⁽²⁾	(54)	(147)
Variance to long-term rate of return on Shareholder Investment Portfolio	(1 202)	(318)
STANLIB South Africa sustainable earnings adjustment	36	30
Normalised headline (loss)/earnings	(1 572)	3 205

⁽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⁾ During 2020 sales were completed of the asset management operations in Kenya and Uganda, Liberty General Insurance Malawi and Liberty Health Administration (Pty) Ltd ("LHA" - a licensed medical aid administrator in South Africa). Two business operations, namely the short term insurance operations in Botswana and Total Health Trust Limited in Nigeria (part of Health risk solutions) remain classified as disposal groups, as both are subject to sale processes at 31 December 2020. The balance of Health risk solutions, being mainly the provision of health expense insurance throughout sub-Saharan Africa, was reclassified back to continuing operations at 30 June 2020. This was due to no acceptable purchase offers being forthcoming.

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

for the year ended 31 December 2020

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. Cost overruns related to COVID-19 have been excluded from the value of new business and treated as extraordinary non-recurring expenses. The expense allocation methodology has also allowed for a temporary shift in activity away from acquisition as a result of the pandemic, especially over the lockdown period. These expenses are included in operating experience variances in the net worth. The impact of the COVID-19 pandemic reserve (as outlined in the 'Key judgements in applying assumptions on application of accounting policies' section) on the value of new business for the period is immaterial.

The current environment has increased the uncertainty relating to setting long term assumptions utilised in the embedded value. Considerations about the uncertainty related to the COVID-19 pandemic in the context of setting long-term assumptions are included in the "Key judgements in applying assumptions on application of accounting policies".

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 2020

2. Normalised embedded value

Rm (unless otherwise stated)	2020	2019
Risk discount rate % ⁽¹⁾	11,96	11,97
Net worth	14 733	18 360
Ordinary shareholders' funds on published basis	16 459	19 736
BEE preference share funding	64	78
Adjustment of ordinary shareholders' funds from published basis ⁽²⁾	(307)	(321)
Liberty Two Degrees normalisation ⁽³⁾	(1 294)	(1 046)
Adjustment for carrying value of in-force business acquired ⁽⁴⁾	(2)	(2)
Allowance for fair value of share rights	(139)	(35)
Frank Financial Services allowance for future expenses	(50)	(50)
Net value of life business in-force	13 931	15 999
Value of life business in-force	17 173	19 154
Cost of required capital	(3 242)	(3 155)
Normalised embedded value	28 664	34 359
3. Normalised embedded value earnings		
Embedded value at the end of the year	28 664	34 359
Intragroup dividends ⁽⁵⁾	1 431	2 235
Funding of restricted share plan	5	3
Financial guarantee ⁽⁶⁾	(83)	
Embedded value at the beginning of the year	(34 359)	(33 687)
Embedded value earnings	(4 342)	2 910
Return on embedded value (%)	(12,6)	8,6

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 2020

4. Analysis of normalised embedded value earnings

Rm	2020				2019			
	Net worth	Value of in-force covered business	Cost of required capital	Embedded value	Net worth	Value of in-force covered business	Cost of required capital	Embedded value
Embedded value at the end of the year	14 733	17 173	(3 242)	28 664	18 360	19 154	(3 155)	34 359
Intragroup dividends ⁽⁵⁾	1 431			1 431	2 235			2 235
Funding of restricted share plan	5			5	3			3
Financial guarantee ⁽⁶⁾	(83)			(83)				
Embedded value at the beginning of the year	(18 360)	(19 154)	3 155	(34 359)	(17 706)	(19 019)	3 038	(33 687)
Embedded value (loss)/earnings	(2 274)	(1 981)	(87)	(4 342)	2 892	135	(117)	2 910
Components of embedded value (loss)/earnings								
Value of new business written in the year	(923)	1 085	(138)	24	(824)	1 382	(200)	358
Expected return on value of in-force business ⁽⁷⁾		2 226	130	2 356		2 259	114	2 373
Expected net of tax profit transfer to net worth	3 089	(3 089)			3 090	(3 090)		
Variations/changes in operating assumptions	(1 075)	(409)	(34)	(1 518)	(30)	(203)	(32)	(265)
Operating experience variances ⁽⁸⁾	(651)	(176)	(34)	(861)	(119)	(55)	(32)	(206)
Operating assumption changes ⁽⁹⁾	(427)	(179)		(606)	94	(195)		(101)
Changes in modelling methodology	3	(54)		(51)	(5)	47		42
Development expenses	(25)			(25)	(47)			(47)
COVID-19 pandemic reserve ⁽¹⁰⁾	(2 212)	(1 051)	(26)	(3 289)				
Embedded value (loss)/earnings from operations	(1 146)	(1 238)	(68)	(2 452)	2 189	348	(118)	2 419
Economic adjustments	(1 024)	(743)	(19)	(1 786)	692	(213)	1	480
Return on net worth and other adjustments ⁽¹¹⁾	(880)			(880)	576			576
Investment variances ⁽¹²⁾	(1 354)	(590)	(16)	(1 960)	(387)	(254)	(12)	(653)
Changes in economic assumptions ⁽¹³⁾	1 210	(153)	(3)	1 054	503	41	13	557
Change in allowance for fair value of share rights ⁽¹⁴⁾	(104)			(104)	11			11
Normalised embedded value (loss)/earnings	(2 274)	(1 981)	(87)	(4 342)	2 892	135	(117)	2 910

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 2020

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.	
	2020	2019
Government stock	9,16	9,17
Equities	12,66	12,67
Property	10,16	10,17
Cash	7,66	7,67
The risk discount rate has been set equal to the risk-free rate plus 80% of the equity risk premium	11,96	11,97
Maintenance expense inflation rate	7,41	7,42

- (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 carrying value was fully amortised by 31 December 2020.
- (5) These are dividends paid by Liberty Group Limited to Liberty Holdings Limited.
- (6) The financial guarantee is reflective of the value of Liberty Holdings Limited's support, through a limited guarantee to the holders of certain subordinated notes issued by Liberty Group Limited.
- (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.

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 2020

5. Notes to embedded value (continued)

The net 31 December 2020 operating experience variance of negative R861 million (31 December 2019: negative R206 million) comprised:

Operating experience variances (Rm)	Net worth ⁽ⁱ⁾	Value of in-force covered business	Cost of required capital	Embedded value
2020				
SA Retail	(423)	23	(34)	(434)
Mortality and morbidity	(39)	12		(27)
Policyholder behaviour	(166)	40		(126)
Other ⁽ⁱⁱ⁾	(218)	(29)	(34)	(281)
Liberty Corporate ⁽ⁱⁱⁱ⁾	(225)	(199)		(424)
Credit portfolio variance	(3)			(3)
Total	(651)	(176)	(34)	(861)
2019				
SA Retail	(101)	61	(32)	(72)
Mortality and morbidity	98	26		124
Policyholder behaviour	(145)	5		(140)
Other	(54)	30	(32)	(56)
Liberty Corporate	(128)	(116)		(244)
Credit portfolio variance	110			110
Total	(119)	(55)	(32)	(206)

⁽ⁱ⁾ The operating experience variances in the second half of 2020 have been partially offset by the utilisation of the COVID-19 pandemic reserve where appropriate.

⁽ⁱⁱ⁾ Includes R108 million of unexpected COVID-19 pandemic related expenses.

⁽ⁱⁱⁱ⁾ The amount of negative R225 million on the net worth is mainly due to lower risk profits than expected from the lump sum risk book. The amount of negative R199 million on the value of in-force relates to lower overall in-force book growth, including lower salary increases, in the context of a difficult economic environment.

- (9) The amount of negative R606 million (31 December 2019: negative R101 million) is primarily due to negative mortality, morbidity and policyholder behaviour assumption changes.
- (10) The details of the COVID-19 pandemic reserve are outlined in the "Key judgements in applying assumptions on application of accounting policies" section.

SOUTH AFRICAN COVERED BUSINESS EMBEDDED VALUE

(CONTINUED)

for the year ended 31 December 2020

5. Notes to embedded value (continued)

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

Rm	2020	2019
Shareholder Investment Portfolio after consolidation of L2D	27	1 004
Adjustment to reflect L2D at listed share price	(166)	(87)
Shareholder Investment Portfolio earnings	(139)	917
Remove 90:10 book	(54)	(178)
Frank Financial Services	(60)	19
Impairment of intangible assets	(125)	
BEE preference scheme	3	7
Central treasury investments	(27)	64
Group Strategic Initiatives	(307)	(171)
Corporate Fund Rehabilitation	(80)	
Other	(91)	(82)
Return on net worth and other adjustments	(880)	576

(12) The amount of negative R1 960 million (31 December 2019: negative R653 million) is a result of the investment returns for the period being below assumption.

(13) The amount of positive R1 054 million (31 December 2019: positive R557 million) relates to changes in economic assumptions as described in note (1) and is primarily due to the movement of the yield curve over the period in respect of pure risk business.

(14) The amount of negative R104 million (31 December 2019: positive R11 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 2020

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.

Stresses have not been applied to the COVID-19 specific assumptions in the analyses provided below. Additional disclosure relating to sensitivities on these assumptions are provided in the key judgments.

Rm	Value of in-force life business less cost of required capital at 31 December 2020	Value of new business written in 2020	Value of in-force life business less cost of required capital at 31 December 2019	Value of new business written in 2019
Base value	13 931	24	15 999	358
Value of in-force/new business	17 173	162	19 154	558
Cost of required capital	(3 242)	(138)	(3 155)	(200)
100 basis point increase in risk discount rate	12 109	(78)	14 199	230
Value of in-force/new business	16 074	89	18 062	473
Cost of required capital	(3 965)	(167)	(3 863)	(243)
100 basis point decrease in interest rate environment	14 498	110	16 496	484
Value of in-force/new business	17 705	247	19 609	683
Cost of required capital	(3 207)	(137)	(3 113)	(199)
10% fall in equity and property market values	13 420		15 472	
Value of in-force	16 662		18 627	
Cost of required capital	(3 242)		(3 155)	
100 basis point increase in equity and property returns	14 926	50	17 002	400
Value of in-force/new business	17 712	169	19 709	573
Cost of required capital	(2 786)	(119)	(2 707)	(173)
10% decrease in maintenance expenses	14 912	65	16 942	432
Value of in-force/new business	18 154	203	20 097	632
Cost of required capital	(3 242)	(138)	(3 155)	(200)
10% decrease in new business acquisition expenses (other than commissions)		165		494
Value of new business		303		694
Cost of required capital		(138)		(200)
10% decrease in withdrawal rates	15 511	146	17 634	552
Value of in-force/new business	18 753	284	20 789	752
Cost of required capital	(3 242)	(138)	(3 155)	(200)
5% decrease in mortality and morbidity for life assurance business	15 711	96	17 763	503
Value of in-force/new business ^①	18 953	234	20 918	703
Cost of required capital	(3 242)	(138)	(3 155)	(200)
5% decrease in mortality for annuity business	13 696	(7)	15 766	346
Value of in-force/new business	16 938	131	18 921	546
Cost of required capital	(3 242)	(138)	(3 155)	(200)

^① A correction was made to the 2019 mortality and morbidity sensitivities.

BANCASSURANCE – BENEFIT TO LIBERTY

as at 31 December 2020

Liberty share (Rm)	2020	2019
Credit Life		
IFRS headline earnings	192	208
Embedded value of in-force contracts	572	537
Other insurance products		
Embedded value of new business	(13)	53
Embedded value of in-force contracts	741	808
STANLIB		
Net service fees on assets under management sourced from Standard Bank distribution	518	495

90:10 SHAREHOLDER EXPOSURE

as at 31 December 2020

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 a difference in approach between the IFRS revenue account (shown as SIP revenue) and the AoEV (shown as expected Life Fund Operating earnings).

Rm	2020	2019
Exposure as at the beginning of the year	3 172	3 472
Expected earnings	236	267
Variance	(182)	(89)
Total net earnings	54	178
Exposure as at the end of the year	2 915	3 172

LONG-TERM POLICYHOLDER LIABILITIES IFRS RECONCILIATION

as at 31 December 2020

Rm	2020	2019
Policyholder liabilities at beginning of the year net of reinsurance	315 484	302 870
Policyholder liabilities	324 246	310 994
Reinsurance liabilities	246	283
Policyholder assets	(7 017)	(6 708)
Reinsurance assets	(1 991)	(1 699)
Transfers to policyholder liabilities	2 358	12 678
Net premium income from insurance contracts and inflows from investment contracts	53 900	56 219
Net insurance premiums	37 572	38 250
Fund inflows from investment contracts	16 328	17 969
Investment returns	15 827	30 883
Net claims and policyholder benefits	(57 297)	(56 361)
Net insurance claims	(37 036)	(38 680)
Fund outflows from investment contracts	(20 261)	(17 681)
Acquisition costs	(3 520)	(3 667)
Management expenses, finance costs and profit share allocations	(10 415)	(10 061)
Taxation	289	(2 372)
Operating profit from insurance operations	3 574	(1 963)
Foreign currency translation reserve	(79)	(64)
Policyholder liabilities at end of year net of reinsurance	317 763	315 484
Policyholder liabilities	325 192	324 246
Reinsurance liabilities	206	246
Policyholder assets	(5 050)	(7 017)
Reinsurance assets	(2 585)	(1 991)

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

for the year ended 31 December 2020

Rm	Recurring premiums		Single premiums		Total premiums		Indexed premiums	
	2020	2019	2020	2019	2020	2019	2020	2019
Retail	5 941	6 042	21 803	22 088	27 744	28 130	8 121	8 252
Broker	1 007	1 073	8 145	6 498	9 152	7 571	1 822	1 723
Bancassurance	3 437	3 040	2 683	4 869	6 120	7 909	3 705	3 527
Tied channels ⁽²⁾	1 287	1 659	10 811	10 372	12 098	12 031	2 368	2 697
Other	210	270	164	349	374	619	226	305
Institutional	515	1 173	858	1 148	1 373	2 321	601	1 288
Broker	230	705	185	381	415	1 086	249	744
Bancassurance	6	19	6	19	6	19	6	19
Tied channels ⁽²⁾	218	416	462	603	680	1 019	264	476
Other	61	33	211	164	272	197	82	49
Total new business	6 456	7 215	22 661	23 236	29 117	30 451	8 722	9 540
Split between:								
South Africa⁽¹⁾								
SA Retail	5 785	5 795	21 548	21 775	27 333	27 570	7 940	7 973
Broker	1 005	1 068	7 969	6 362	8 974	7 430	1 802	1 704
Bancassurance	3 371	2 948	2 652	4 859	6 023	7 807	3 636	3 434
Tied channels ⁽²⁾	1 206	1 527	10 787	10 372	11 993	11 899	2 285	2 565
Other	203	252	140	182	343	434	217	270
Liberty Corporate	428	1 011	719	1 126	1 147	2 137	500	1 124
Broker	210	641	177	359	387	1 000	228	678
Bancassurance	6	19	6	19	6	19	6	19
Tied channels ⁽²⁾	205	348	341	603	546	951	239	408
Other	7	3	201	164	208	167	27	19
Total new business	6 213	6 806	22 267	22 901	28 480	29 707	8 440	9 097
Liberty Africa Insurance								
Retail	156	247	255	313	411	560	181	279
Broker	2	5	176	136	178	141	20	19
Bancassurance	66	92	31	10	97	102	69	93
Tied channels ⁽²⁾	81	132	24		105	132	83	132
Other	7	18	24	167	31	185	9	35
Institutional	87	162	139	22	226	184	101	164
Broker	20	64	8	22	28	86	21	66
Tied channels ⁽²⁾	13	68	121		134	68	25	68
Other	54	30	10		64	30	55	30
Total new business	243	409	394	335	637	744	282	443

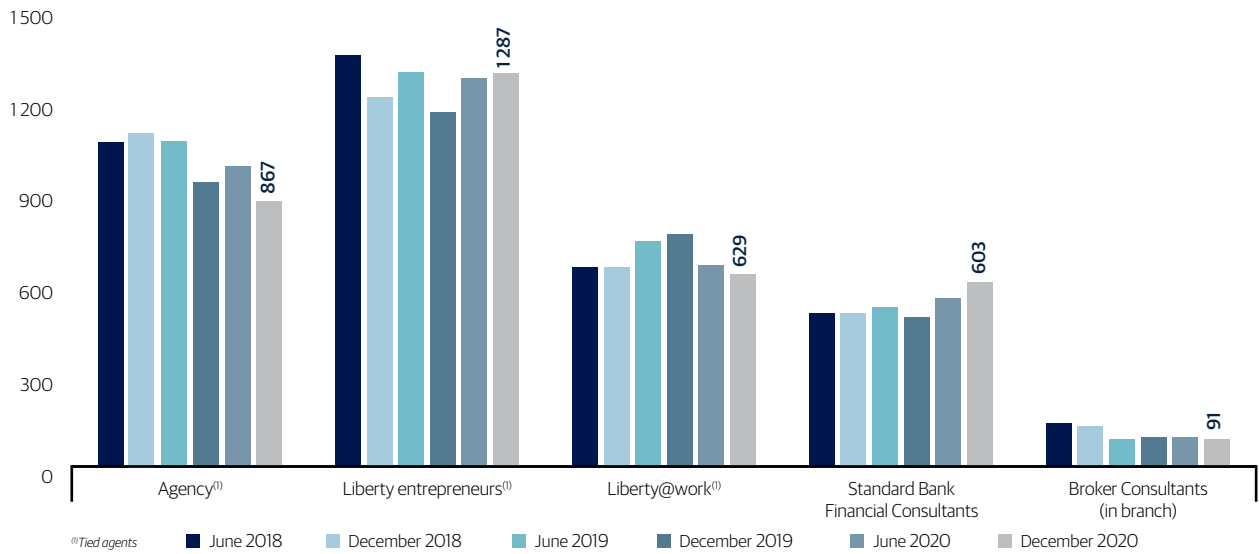
⁽¹⁾ Includes premium escalations for SA Retail; excludes STANLIB Multi-manager.

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

SOUTH AFRICAN INSURANCE DISTRIBUTION HEADCOUNT

as at 31 December 2020

SOUTH AFRICAN INSURANCE DISTRIBUTION HEADCOUNT



SHAREHOLDER INVESTMENT PORTFOLIO

as at 31 December 2020

Exposure category	2020				2019			
	Local Rm	Foreign Rm	Total Rm	%	Local Rm	Foreign Rm	Total Rm	%
Equities	3 456	2 284	5 740	22	4 437	3 587	8 024	29
Bonds	8 190	399	8 589	32	8 657	584	9 241	34
Cash	3 516	50	3 566	13	4 671	20	4 691	17
Property	7 010		7 010	26	2 736		2 736	10
Other	890	983	1 873	7	1 794	1 019	2 813	10
Total	23 062	3 716	26 778	100	22 295	5 210	27 505	100
Assets backing capital			11 545	43			15 205	55
Assets backing policyholder liabilities			9 618	36			9 128	33
90:10 exposure and other ⁽¹⁾			5 615	21			3 172	12
Reconciliation to IFRS shareholders' equity								
Shareholder Investment Portfolio			26 778				27 505	
Less: 90:10 exposure and other ⁽¹⁾			(5 615)				(3 172)	
Less: Subordinated notes			(5 998)				(5 643)	
South African insurance operations group funds			15 165				18 690	
Liberty Group Limited group's IFRS shareholders' equity			16 459				19 736	
Insurance group funds			15 165				18 690	
Liberty Two Degrees ⁽²⁾			1 294				1 046	

⁽¹⁾ The 90:10 exposure is the exposure on certain contracts which include terms that allocate 10% of the investment returns to Liberty shareholders. Other represents capital exposures on property assets backing the incurred but not reported (IBNR) claims reserve. Assets backing the IBNR have been managed in the SIP since early in 2020.

⁽²⁾ This represents the difference between Liberty group's share of the net asset value of Liberty Two Degrees as at the reporting date and the listed price of Liberty Two Degrees shares multiplied by the number of units in issue to Liberty group 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 Liberty Two Degrees shares held within the shareholder investment portfolio.

SHAREHOLDER INVESTMENT PORTFOLIO PERCENTAGE ALLOCATION

as at 31 December 2020

Exposure category %	2020				2019			
	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	9		4	13	11		5	16
Bonds, cash and property	21	36	13	70	23	33	2	58
Other	3			3	7			7
Foreign assets								
Equities	6		3	9	10		3	13
Bonds, cash and property			1	1	1		2	3
Other	4			4	3			3
Total	43	36	21	100	55	33	12	100

SHAREHOLDER INVESTMENT PORTFOLIO RETURN

as at 31 December 2020

Rm	2020	2019
Realised gross result	526	2 188
Taxation	(1)	(619)
Subordinated notes at fair value	(440)	(503)
Expenses (including asset management fees)	(58)	(62)
Net profit	27	1 004
Gross return (%)	1,9	8,0

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 2020

Rm (unless otherwise stated)	2020	2019
Net earnings from credit portfolio	205	282
Total LibFin assets (Rbn)	77	70
Credit portfolio assets (Rbn)	44	52
Banks, treasuries and shorter dated assets (Rbn)	33	18

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

for the year ended 31 December 2020

Business unit	2020	2019	2020	2019	2020	2019	2020	2019
	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	6 520	6 558	30	290	0,1	0,9	(512)	197
Liberty Corporate	500	1 124	(6)	68	(0,2)	0,9	(3 451)	(1 030)
Liberty Africa Insurance	282	443		49		4,1	566	691
Total	7 302	8 125	24	407	0,1	1,0	(3 397)	(142)

SA RETAIL – HEADLINE EARNINGS

for the year ended 31 December 2020

Rm	2020	2019
Expected profit and premium escalations	2 018	2 029
Variances, modelling and assumption changes	(638)	12
New business strain	(804)	(633)
Project and non-cost per policy expenses	(100)	(6)
Direct Financial Services	(46)	(9)
Other	(8)	50
Earnings before bancassurance	422	1 443
Liberty share of credit life bancassurance (net of all taxes)	192	208
Complex bancassurance preference dividend	(130)	(146)
Normalised headline earnings before COVID-19 pandemic reserve	484	1 505
Establishment of COVID-19 pandemic reserve, net of taxation	(1 946)	
Headline (loss)/earnings	(1 462)	1 505

SA RETAIL – KEY PERFORMANCE INDICATORS

as at 31 December 2020

Rm (unless stated otherwise)	2020	2019
Net customer cash flows	(561)	142
Insurance products	(512)	197
LISP	(49)	(55)
Gross sales (excluding LISP)	25 913	26 155
Indexed new business (excluding LISP)	6 520	6 558
Value of new business	30	290
Retail margin excluding STANLIB (%)	0,1	1,0
Retail new business margin including STANLIB (%)	0,1	0,9

SA RETAIL – INDEXED NEW BUSINESS

as at 31 December 2020

Rm	2020	2019
SA Retail Insurance (excluding emerging consumer market)	5 922	5 853
Emerging consumer market	156	272
Total SA Retail Insurance	6 078	6 125
Direct Financial Services	90	96
STANLIB 'on balance sheet' sales	352	337
Total 'on balance sheet' sales	6 520	6 558
STANLIB 'off-balance sheet' sales	3 999	3 368
GateWay LISP 'off-balance sheet' sales	206	232
Total SA Retail distribution	10 725	10 158

SA RETAIL – MAINTENANCE COST PER POLICY

as at 31 December 2020

R	2020	2019
Valuation basis		
Complex	791	744
Simplex	396	372
Annuities	396	372

SA RETAIL – NEGATIVE RAND RESERVES⁽¹⁾

as at 31 December 2020

Rm	2020	2019
Published IFRS basis	14 695	14 860

⁽¹⁾ 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.

Note that no allowance has been made in the above for the impact of the COVID-19 pandemic reserve.

LIBERTY CORPORATE – HEADLINE EARNINGS

for the year ended 31 December 2020

Rm	2020	2019 ⁽¹⁾
Gross contribution	1 142	1 149
Underwriting margin	372	491
Fee income	530	570
Pension businesses and other income	240	88
Expenses and other items	(1 078)	(996)
Profit before taxation	64	153
Taxation	(26)	(44)
Normalised headline earnings before COVID-19 pandemic reserve	38	109
Establishment of COVID-19 pandemic reserve, net of taxation	(266)	
Headline (loss)/earnings	(228)	109

⁽¹⁾ 2019 has been restated to allow for a change in premium collection in 2020 that moves from a net premium to a gross premium for commission on a specific book of business. This resulted in an increase in expenses and has caused a commensurate increase to the underwriting margin. 2019 has also been adjusted to remove the cost of the Fund Rehabilitation project.

LIBERTY CORPORATE – KEY PERFORMANCE INDICATORS

for the year ended 31 December 2020

Rm (unless stated otherwise)	2020	2019
Gross sales	1 147	2 137
Indexed new business	500	1 124
Value of new business	(6)	68
New business margin (%)	(0,2)	0,9
Net customer cash flows	(3 451)	(1 030)

RECONCILIATION OF AFRICA REGIONS AND OPERATIONS UNDER OWNERSHIP REVIEW EARNINGS

for the year ended 31 December 2020

Rm	2020			2019		
	Africa regions - remaining operations	Operations under ownership review ⁽¹⁾	Total	Africa regions - remaining operations	Operations under ownership review ⁽¹⁾	Total
Liberty Africa Insurance	22	2	24	29	(14)	15
Liberty Health	(43)	(56)	(99)		(126)	(126)
STANLIB Africa	27		27	25	(7)	18
Total Africa Regions	6	(54)	(48)	54	(147)	(93)

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

LIBERTY HEALTH – HEADLINE EARNINGS

for the year ended 31 December 2020

Rm	2020	2019
Loss before depreciation and amortisation	(85)	(129)
Amortisation and depreciation	(5)	(6)
Loss before taxation	(90)	(135)
Taxation	(9)	9
Normalised headline loss	(99)	(126)

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

as at 31 December 2020

Thousands	2020	2019	2018	2017
Region				
Eastern Africa	60	63	56	57
Western Africa	31	31	30	36
Southern Africa	31	37	32	29
Total	122	131	118	122
Liberty-owned licenses	73	76	69	79
Third-party licenses	49	55	49	43

LIBERTY AFRICA INSURANCE – HEADLINE EARNINGS

for the year ended 31 December 2020

Rm	2020	2019
Insurance entities earnings⁽¹⁾		
Long-term insurance	73	68
Short-term insurance	119	80
Headline earnings (before head office expenses)	192	148
Non-controlling interests' share of headline earnings	(74)	(65)
Liberty share of headline earnings	118	83
Head office costs	(79)	(68)
Normalised headline earnings attributable to Liberty before COVID-19 pandemic reserve	39	15
Establishment of COVID-19 pandemic reserve, net of taxation and non-controlling interests' share	(15)	
Normalised headline earnings	24	15

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

LIBERTY AFRICA INSURANCE – KEY PERFORMANCE INDICATORS

for the year ended 31 December 2020

Rm (unless stated otherwise)	2020	2019
Embedded value of new business written in year		49
New business margin (%)		4,1
Long term:		
Gross sales	637	744
Indexed new business	282	443
Net customer cash flows	566	691
Short term:		
Net customer cash flows	380	368
Claims loss ratio (%)	44	41

LIBERTY AFRICA INSURANCE – LONG-TERM INSURANCE NET CASH FLOWS

for the year ended 31 December 2020

Rm	2020	2019
Net premiums by product type		
Retail	756	692
Single	77	97
Recurring	679	595
Institutional	885	913
Single	314	369
Recurring ⁽¹⁾	571	544
Net premium income from insurance contracts and inflows from investment contracts⁽¹⁾	1 641	1 605
Net claims and policyholders benefits by product type		
Retail	(440)	(428)
Death, critical illness and disability claims	(83)	(115)
Policy surrender and maturity claims	(341)	(299)
Annuity payments	(16)	(14)
Institutional	(635)	(486)
Death, critical illness and disability claims	(140)	(39)
Scheme terminations and member withdrawals ⁽¹⁾	(495)	(447)
Net claims and policyholders' benefits⁽¹⁾	(1 075)	(914)
Net cash flow split as follows:	566	691
Retail	316	264
Institutional	250	427

⁽¹⁾ 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 2020

Rm (unless stated otherwise)	2020	2019
Net fee income	1 813	1 747
Base fees	1 774	1 722
Performance fees	39	25
Total operating expenses	(1 281)	(1 259)
Operating expenses	(1 219)	(1 157)
Non-recurring projects and expenses	(62)	(102)
Profit before investment income	532	488
Other income	87	160
Profit before taxation	619	648
Taxation	(153)	(188)
Total headline earnings	466	460
Average margin (bps)	29	31
Average assets under management (Rbn)	591	563

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

as at 31 December 2020

Rm	Net cash flows		Assets under management	
	2020	2019	2020	2019
Retail	10 594	8 148	277 427	241 307
Fixed interest	11 379	11 497	73 719	66 354
Equity	(2 778)	51	8 433	10 296
Property	(1 493)	(1 742)	4 230	7 988
Money Market	(457)	89	24 385	24 842
Absolute Return	(1 705)	(309)	4 595	8 096
Balanced	379	(1 613)	22 940	22 859
International	4 870	140	49 399	13 102
LISP	441	459	89 726	85 734
Structured	(42)	(424)		2 036
Institutional	24 303	7 042	156 180	130 764
Fixed interest	2 044	3 915	33 396	32 400
Equity	2 843	2 054	17 142	12 582
Property	1 059	(1 893)	2 956	5 548
Money Market	18 832	(835)	87 399	64 404
Absolute Return	(175)	2 231	3 632	3 417
Balanced	(1 502)	715	7 561	8 643
International	655	855	2 536	3 044
Other	547		1 558	726
Liberty – Delta LISP	(3 877)	2 551	43 995	46 387
Liberty – intergroup	(8 562)	(7 606)	136 099	149 389
Total⁽¹⁾	22 458	10 135	613 701	567 847

⁽¹⁾ In 2020, as part of the STANLIB AUM principle due diligence project, reallocations in respect of the above disclosed categories were recorded.

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

as at 31 December 2020

Rm	Money market (including cash)	Fixed interest	Equity	Property	Other	Absolute return	Balanced	International	Structured	LISP	Total
2020											
Retail											
Collective Investments		68 185	4 496	2 852		3 751	14 565	34 165		89 726	128 014
Linked Investment and Structured Products											89 726
Money market	24 385										24 385
Multi-manager Collective Investments		5 534	3 937	1 378		844	8 375	15 234			35 302
Institutional											
Segregated funds		33 396	17 142	2 956		3 632	7 561	2 536			67 223
Hedge fund					1 558						1 558
Money market	87 399										87 399
Liberty - Delta LISP											
Liberty - intergroup	5 023	36 206	38 557	844		21 010	14 249	18 988	1 222	43 995	43 995
STANLIB total⁽¹⁾	116 807	143 321	64 132	8 030	1 558	29 237	44 750	70 923	1 222	133 721	613 701
2019											
Retail											
Collective Investments		61 050	6 843	5 591		7 297	13 853	13 102		85 734	107 736
Linked Investment and Structured Products									2 036		87 770
Money market	24 842										24 842
Multi-manager Collective Investments		5 304	3 453	2 397		799	9 006				20 959
Institutional											
Segregated funds		32 400	12 582	5 548	726	3 417	8 643	3 044			66 360
Money market	64 404										64 404
Liberty - Delta LISP											
Liberty - intergroup	3 872	32 734	56 257	1 370	644	9 916	17 734	25 258	1 604	46 387	46 387
STANLIB total	93 118	131 488	79 135	14 906	1 370	21 429	49 236	41 404	3 640	132 121	567 847

⁽¹⁾ In 2020, as part of the STANLIB AUM principle due diligence project, reallocations in respect of the above disclosed categories were recorded.

STANLIB SOUTH AFRICA – RETAIL INVESTMENT PERFORMANCE

for the year ended 31 December 2020

Core retail funds – quartile performance Fund name	Rolling period					
	One year		Three-year		Five-year	
	2020	2019	2020	2019	2020	2019
STANLIB Equity	1	2	1	2	2	2
STANLIB SA Equity	3	4	4	4	4	4
STANLIB Bonded	1	2	1	2	2	3
STANLIB Bonded Cautious	1	1	1	3	2	3
STANLIB Absolute Plus	2	4	2	1	1	1
STANLIB Bond	1	1	1	1	1	1
STANLIB Income	2	2	1	1	1	1
STANLIB Money Market	3	2	2	2	2	2
STANLIB Flexible Income	1	1	4	4	3	4
STANLIB Property Income	3	2	4	4	3	3

STANLIB SOUTH AFRICA – INSTITUTIONAL INVESTMENT PERFORMANCE

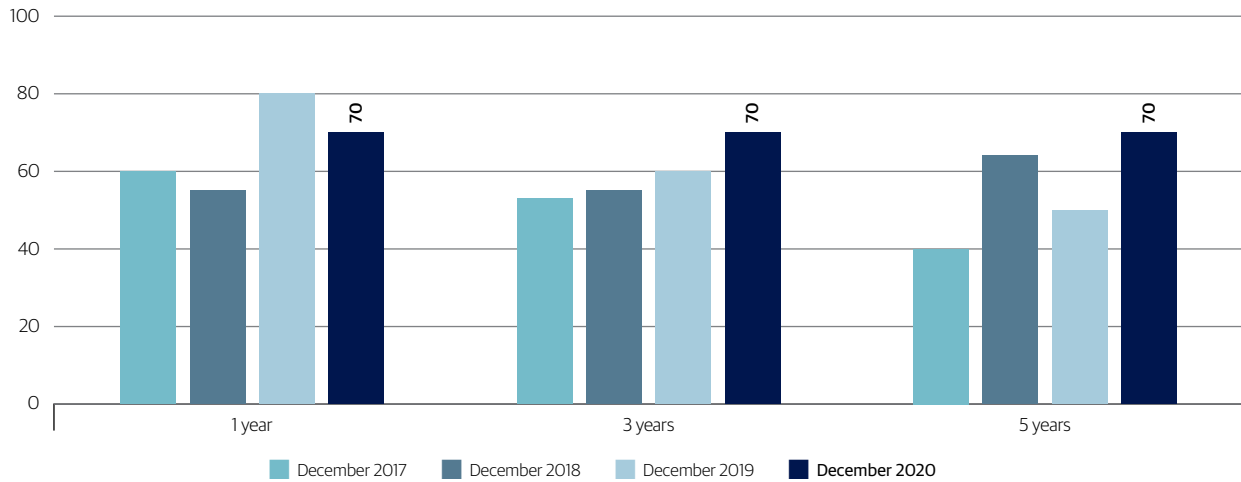
for the year ended 31 December 2020

Survey funds (Alexander Forbes Surveys – quartile performance)	Rolling period					
	One year		Three-year		Five-year	
	2020	2019	2020	2019	2020	2019
Stanlib Core Bond	1	2	1	2	1	2
Money Market	4	4	4	3	4	3
STANLIB Property Income Fund	2	2	4	4	3	4
Large Manager – Global	1	1	1	3	2	4
Full Global Mandate	1	2	1	3	3	4
Domestic Only Mandate	2	4	3	4	4	4
Stanlib Core Equity	3	4	3	4	4	4
STANLIB Multi Factor Equity	1	1	1	3	2	3
STANLIB Absolute Plus Fund	2	3	2	2	2	2

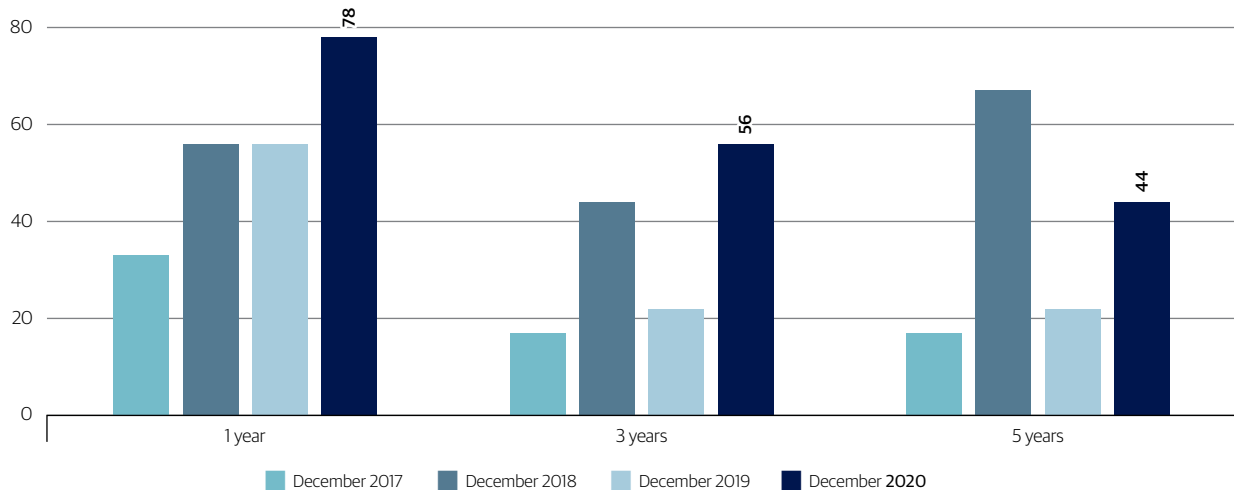
STANLIB SOUTH AFRICA – INVESTMENT PERFORMANCE

as at 31 December 2020

% 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 2020

Assets under management (Rm)	2020	2019
Opening market value	28 396	51 204
Net cash inflows	(1 781)	(2 043)
External	(1 858)	(2 347)
Liberty – intragroup	77	304
STANLIB Africa discontinued mandates ⁽¹⁾	(6 965)	(11 181)
STANLIB Africa disposals of entities ⁽²⁾		(14 236)
Capital (depreciation)/appreciation	(1 555)	4 652
Closing market value	18 095	28 396
Segregated funds	6 335	14 458
Unit trusts	3 626	4 741
Money market	8 134	9 197
Total assets under management	18 095	28 396

⁽¹⁾ The disposal of the operations of STANLIB Kenya and STANLIB Uganda were completed during the period.

⁽²⁾ STANLIB Ghana and STANLIB Botswana were disposed of during the prior period.

STANLIB AFRICA – ASSETS UNDER MANAGEMENT BY ASSET TYPE

as at 31 December 2020

Assets under management (Rm)	2020	2019
Remaining operations⁽¹⁾	18 095	18 835
Fixed interest	4 856	3 954
Equity	3 719	3 613
Property	291	
Money market	8 134	8 107
Other	1 095	3 161
Operations under ownership review⁽²⁾		9 561
Fixed interest		1 498
Equity		5 573
Property		1 400
Money market		1 090
Total assets under management	18 095	28 396
Combined		
Fixed interest	4 856	5 452
Equity	3 719	9 186
Property	291	1 400
Money market	8 134	9 197
Other	1 095	3 161
	18 095	28 396

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

⁽²⁾ The disposal of the operations of STANLIB Kenya and STANLIB Uganda were completed during the period. STANLIB Ghana and STANLIB Botswana were disposed of during the prior period.



LIBERTY

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