LIBERTY

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Liberty Holdings Limited Financial results for the six months ended 30 June 2021

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CONTENTS

FINANCIAL PERFORMANCE INDICATORS

for the six months ended 30 June 2021

Rm (unless otherwise stated)	30 June 2021	30 June 2020	% change	12 months 31 December 2020
Liberty Holdings Limited				
Earnings				
Normalised headline earnings/(loss)[1]	**288**	(2 173)	>100	(1 572)
Normalised headline earnings/(loss) per share (cents)[1]	**107,3**	(802,5)	>100	(582,9)
Normalised return on IFRS equity (%)[1],[3]	**2,7**	(19,7)		(7,3)
Group equity value				
Normalised group equity value per share (R)[1]	**132,34**	128,80	2,7	128,32
Normalised return on group equity value (%)[1],[3]	**5,8**	(18,9)		(10,2)
Distributions per share (cents)				
Normal dividend	**–**	–		–
Interim dividend	**–**	–		–
Final dividend	**n/a**	n/a		–
Total assets under management (Rbn)	**823**	725	14	776
Long-term insurance operations				
Indexed new business (excluding contractual increases)	**4 281**	3 430	25	7 302
Embedded value of new business	**46**	24	92	24
New business margin (%)	**0,2**	0,2		0,1
Net customer cash outflows	**(2 005)**	(1 062)	(89)	(3 397)
Solvency capital requirement cover ratio of Liberty Group Limited (times covered)[2]	**1,73**	1,83		1,81
Asset management – STANLIB South Africa				
Assets under management (Rbn)	**652**	569	15	614
Net cash inflows including money market[4]	**12 789**	14 695	(13)	34 897
Retail and institutional net cash inflows excluding money market[4]	**9 724**	3 384	>100	16 522
Money market net cash inflows[4]	**3 065**	11 311	(73)	18 375

[1] *Normalised: headline earnings/(loss), headline earnings/(loss) per share, return on IFRS equity, group equity value per share and return on group equity value. These measures reflect the economic reality of the consolidation of the listed REIT Liberty Two Degrees (L2D) and the Black Economic Empowerment (BEE) transaction, as opposed to the required IFRS accounting treatment.*

[2] *Solvency capital requirement cover is the excess of assets over liabilities required by an insurer to ensure that its assets remain larger than its liabilities with a 99.5% level of certainty over a one-year time horizon, with assets and liabilities valued in accordance with the Insurance Act, 2017.*

[3] *Annualised.*

[4] *Excludes intergroup life funds.*

Preparation and supervision:
This announcement of the Liberty Holdings Limited interim financial results for the six months ended 30 June 2021 has been prepared by D Wichmann CA(SA), and supervised by M Norris CA(SA) (Executive: Group Finance) and Y Maharaj CA(SA) (Financial Director).

IMPLEMENTATION OF STRATEGY ON TRACK WITH INITIAL MILESTONES ACHIEVED

Introduction

A severe second and the start of a third wave of the COVID-19 pandemic (the pandemic) resulted in continued challenging health and economic conditions during the first half of 2021. South Africa, Liberty's largest market, has been subject to government-imposed lockdown restrictions designed to curb the spread of the virus for almost 17 months. The mass COVID-19 vaccine rollout has commenced in South Africa and is intensifying, but uncertainty related to the evolution and impact of the pandemic and associated waves remains.

Subsequent to 30 June 2021, the KwaZulu Natal and Gauteng provinces of South Africa experienced significant protest action in July 2021. These protests were characterised by deplorable violence, theft and destruction of property, and are also sadly a reflection of the desperation of many South Africans during these difficult times. Regrettably, these actions have been disruptive to the broader South African society and to the country's struggling economy. We were fortunate that Liberty related assets and premises did not suffer damage and we continue to work with our business partners to safeguard our assets.

We extend our sincere condolences to members of the Liberty community who have lost family and friends and are struggling with the trauma and stress induced by these extremely difficult times.

Liberty is proud to have opened a vaccination site to the public at our head office in Braamfontein to assist the South African Government with its vaccination programme. Working in collaboration with Dis-Chem, over 600 vaccinations are being administered per day at our site.

The global economic environment continued to recover in the first half of 2021. This has positively impacted global and South African financial market conditions and contributed positively to returns from the Shareholder Investment Portfolio (SIP) during the period.

Supporting our clients and their families at those most profound moments of human vulnerability lies at the heart of our purpose. As evidence of this, total death and disability claims paid during the six months ended 30 June 2021 amounted to R8,5 billion, a 61,4% increase over the first half of 2020, which is reflective of the severe impact of the pandemic on our clients. Total annuity payments to clients during the period were R4,5 billion, a 10,3% increase on the comparative period representing a critical injection of income into society to sustain many vulnerable people in the latter years of their lives.

Update on impacts of the COVID-19 pandemic

A pandemic reserve of R3,1 billion (before tax and non-controlling interests' share in respect of our Liberty Africa Insurance business) was established in 2020 to provide for the expected impact of COVID-19 on Liberty's business. The reserve was calculated on a prospective basis to cover the expected increase in mortality and retrenchment claims together with reduced persistency and increased expense impacts attributable to the pandemic. At 31 December 2020, the reserve amounted to R2 291 million before tax and the share of non-controlling interests'.

Additional death and funeral claims, adverse persistency experience and specific qualifying pandemic related expenditure absorbed within the pandemic reserve during the six-month period to 30 June 2021 amounted to R1 761 million before tax and non-controlling interests. Liberty's actual experience for the six months to 30 June 2021 together with emerging SA population statistics were considered in reassessing the appropriateness of the pandemic reserve at 30 June 2021 which resulted in an increase in the reserve at 30 June 2021 of R1 022 million before tax and non-controlling interests. The pandemic reserve amounted to R1 552 million before tax and non-controlling interests at 30 June 2021.

In addition, risk claims on short contract boundary business not absorbed by the pandemic reserve amounted to R388 million after tax and non-controlling interests' share. This represents claims that were not covered through the pandemic reserve and represent excess claims not anticipated in the pricing of these books of business.

Standard Bank Group's firm intention announcement

A proposed transaction was announced on 15 July 2021, whereby Standard Bank Group (SBG) is proposing to buy 100% of Liberty Holdings Limited and to integrate Liberty more closely into the greater group. This will, subject to shareholder and regulatory approvals, lead to the de-listing of Liberty Holdings Limited and Liberty becoming a wholly owned subsidiary of SBG. SBG currently owns 54% of Liberty's issued ordinary shares. This proposed transaction is a strong vote of confidence by SBG in the strength of Liberty's business, its client franchise, and very importantly its adviser networks and teams of people. Further details of the proposed transaction are outlined in the firm intention announcement that was released on 15 July 2021.

Progress on strategy execution

The current operating environment has reinforced the importance of our purpose and has led to a deepened focus on, and acceleration of, key initiatives to develop a more competitive and future ready enterprise.

In this context, we have three key focus areas:

- Significantly enhancing the quality of our client and adviser experience;
- Delivering transparent and intuitive risk and investment solutions suitable for the digital age; and
- Aggressively simplifying our whole organisation.

Good progress in advancing our plans was made during the current period, with investments of R169 million net of tax (30 June 2020: R94 million net of tax) made to expedite the build of our client and adviser engagement and investment platforms. These developments represent important milestones in achieving our strategy for the future Liberty and include:

- The launch of the Liberty Adviser Workbench powered by Salesforce to our tied adviser force (Liberty Advisory Partners), which automates, simplifies and digitalises processes, effectively reducing duplication of effort and expediting the sales process. Over 1 500 advisers and sales leaders have already been onboarded and are using the workbench since late May 2021;
- We also recently launched Advice Plus, our new generation goal based financial needs analysis tool, to our advisers. This digital tool allows for best-in-class advice across risk and investment propositions. Over 8 000 client financial needs analysis reports have been issued since the launch of Advice Plus in late May 2021;
- Investment solutions have been enhanced through the launch in early 2021 of our Multi-Strategy portfolio range linked to our revised advice model, as well as a portfolio range launched on STANLIB's LISP, built in conjunction with STANLIB Multi-Manager. This facilitates personalised advice to be provided and customised solutions to be identified to meet the needs of our clients;
- A more refined approach to pricing and risk selection, based on additional risk factors in our commercial and actuarial models, was introduced in the second half of 2020 and continues to be refined. This capability places Liberty in a more competitive position by providing significant agility in both the rating and pricing of our risk solutions; and
- In terms of simplification initiatives, we have continued to retire legacy products, and continued reducing the complexity and streamlining of our SA Retail business both from a product and architecture point of view. 81 products have been rationalised with over 200 000 clients migrated to new generation products, and 31 portfolios have been rationalised with assets of R500 million in respect of 4 000 clients switched into other suitable portfolios in the first half of 2021.

The introduction of digital enablement tools, particularly the Liberty Adviser Workbench and Advice Plus, has significantly improved sales channel support and has started to contribute to the improved SA Retail new business sales performance across all major channels. We will continue with the focused execution of our plans to enhance the client and adviser experience, provide digital tools and solutions to our advisers and clients and to simplify our business.

Financial strength and resilience in the current climate

Liberty's operations remain financially sound and well capitalised, with the Solvency Capital Requirement ('SCR') cover ratio of Liberty Group Limited, the group's main long-term insurance licence, at 1,73 times at 30 June 2021 (31 December 2020: 1,81 times). The 30 June 2021 SCR cover takes account of the required increase in the pandemic reserve, underpinning our ability to fulfil our promises to policyholders and other stakeholders.

Group financial performance

Normalised operating earnings before COVID-19 impacts amounted to R652 million, compared to the equivalent prior period earnings of R633 million.

After including the cost of increasing the prospective COVID-19 pandemic reserve net of taxation and non-controlling interests' share of R729 million (30 June 2020: R2 175 million) and current period claims that were not covered through the pandemic reserve amounting to R388 million (net of taxation and non-controlling interests' share), Liberty reflects a normalised operating loss for the six-month period ended 30 June 2021 of R465 million compared to a normalised operating loss of R1 542 million for the comparative period.

The SIP generated a profit of R753 million for the current period, compared to a loss of R631 million reported for the six-month period ended 30 June 2020.

Liberty is accordingly reporting normalised headline earnings for the six-month period ended 30 June 2021 of R288 million, compared to a normalised headline loss of R2 173 million in the prior period. Normalised annual return on equity was positive 2,7% compared to negative 19,7% for the six-month period ended 30 June 2020.

Headline earnings for the period of R222 million, which includes a negative adjustment of R64 million (30 June 2020: negative R88 million) arising from the consolidation of the Liberty Two Degrees listed REIT, compares to a headline loss of R2 263 million for the six-month period ended 30 June 2020.

The normalised annual return on group equity value (RoGEV) was positive 5,8% compared to negative 18,9% in the prior period. The improvement in the RoGEV was largely attributable to the impact of better investment returns on the SIP earnings in the current period and the effect of higher than anticipated investment returns on the value of in-force business. In addition, the comparative period was more adversely impacted by the initial establishment of the pandemic reserve.

Group long-term insurance indexed new business of R4 281 million was 24,8% above the comparative period of R3 430 million. This improvement was underpinned by a 30,9% increase in SA Retail indexed new business supported by all major distribution channels.

The group value of new business (VoNB) increased to R46 million from R24 million in the comparative period. Improved overall sales volumes contributed positively, offset by increased acquisition expenses due to increased sales activities.

Group net external third party client cash inflows amounted to R10,3 billion compared to prior period inflows of R14,3 billion, supported mainly by STANLIB South Africa net external third party client cash inflows of R12,8 billion, which were below comparative period net inflows of R14,7 billion. Total group assets under management increased to R823 billion (31 December 2020: R776 billion) due mainly to the increase in STANLIB South Africa assets under management.

Earnings by business unit

Rm (Unaudited)	30 June 2021	30 June 2020	% change	12 months 31 December 2020
South African Insurance Operations	**576**	544	6	685
SA Retail	463	458	1	484
Liberty Corporate	3	41	(93)	114
Liberty Corporate – Fund rehabilitation	(13)	(13)		(80)
LibFin Markets – credit portfolio	79	132	(40)	205
LibFin Markets – asset/liability matching and structuring portfolio	44	(74)	>100	(38)
South African Asset Management				
STANLIB South Africa	242	226	7	466
Africa Regions	**(40)**	37	(>100)	41
Liberty Africa Insurance	34	25	36	57
Liberty Health[1]	(86)			(43)
STANLIB Africa	12	12		27
Operations under ownership review[1]	**13**	(67)	>100	(54)
Group Strategic Initiatives	**(169)**	(94)	(80)	(307)
Central costs and sundry income	**30**	(13)	>100	(107)
Normalised operating earnings before COVID-19 impact	**652**	633	3	724
Excess risk claims not covered by the pandemic reserve, net of taxation and non-controlling interests' share[2]	(388)			(96)
Establishment of COVID-19 pandemic reserve, net of taxation and non-controlling interests' share	(729)	(2 175)	66	(2 227)
Normalised operating loss	**(465)**	(1 542)	70	(1 599)
Shareholder Investment Portfolio (SIP)	753	(631)	>100	27
Normalised headline earnings /(loss)	**288**	(2 173)	>100	(1 572)
BEE preference share adjustment	(2)	(2)		(4)
Reversal of accounting mismatch arising on consolidation of L2D[3]	(64)	(88)	27	37
Headline earnings/(loss)	**222**	(2 263)	>100	(1 539)

(1) *In 2021 the sale of Liberty General Botswana (Pty) Ltd was completed. During 2020, sales were completed of the asset management operations in Kenya and Uganda, Liberty General Insurance Malawi Ltd and Liberty Health Administration (Pty) Ltd (a licensed medical aid administrator in South Africa). At 30 June 2021 one business operation, namely Total Health Trust Limited in Nigeria (part of Health Risk Solutions), remains classified as a disposal group, as it is still subject to sale processes. 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 (effective 1 July 2020 the earnings were reflected as continuing operations). This was due to no acceptable purchase offers being forthcoming.*

(2) *These amounts are claims that were not covered through the pandemic reserve and represent excess claims not anticipated in the pricing of short contract boundary business.*

(3) *Refer to Explanation of terms.*

Commentary on the earnings by business unit, before the COVID-19 impacts, follows on the pages below.

South African Insurance Operations

The South African Insurance Operations, comprising SA Retail, Liberty Corporate and LibFin Markets (credit portfolio and asset liability matching portfolio) businesses, earnings contribution of R576 million was above comparative period earnings of R544 million.

SA Retail

Earnings from SA Retail amounted to R463 million compared to R458 million in 2020. The relevant experience variances relating to risk, persistency and expenses were absorbed by the pandemic reserve established at 31 December 2020.

Indexed new business sales of R3 857 million were 30,9% above the comparative period with strong growth from all major sales channels. The bancassurance channel continued to show good growth, with increased sales of both risk and investment business. Single premium business, including conventional annuity new business, continued to increase strongly through the period relative to the first half of 2020. It should also be noted that SA Retail indexed new business for the current period is 23,2% above the six-month period to 30 June 2019.

The SA Retail VoNB amounted to R33 million (30 June 2020: R30 million), with a margin of 0,2% (30 June 2020: 0,2%). This result is attributable to the contribution from better overall sales volumes being offset by acquisition expenses attributable to increased sales activity compared to the prior period. The changes to the long-term assumption set at 31 December 2020 and economic assumptions in 2021 adversely affected the current VoNB result compared to that of 30 June 2020.

Net client cash outflows of R176 million reflect an improvement compared to prior period outflows of R528 million, attributable to increased premium income offset by elevated death and disability claims as a result of the second wave of the pandemic.

Liberty Corporate

Liberty Corporate earnings reduced to R3 million from R41 million in the comparative period. The decrease was mainly attributable to the comparable period having favourable balance sheet optimisation impacts on certain books of business.

Indexed new business of R245 million (30 June 2020: R289 million) continued to be impacted by current and prospective clients remaining cautious in the current ongoing pandemic exacerbated economic environment. The comparative period was positively impacted by the inclusion of R35 million of indexed premium relating to business written by certain partner relationships, where these partnerships were materially exited during the second half of 2020. Retention of existing clients has been a key priority, with better than expected client persistency observed. VoNB amounted to R2 million (30 June 2020: negative R6 million) with the positive contribution from umbrella sales and enhancements offset by lower risk sales.

Net client cash outflows of R2 052 million (30 June 2020: outflows of R823 million) were adversely affected by lower new business sales, higher member withdrawals exacerbated by higher market returns increasing claim values, and higher volumes of group life assurance death claims.

Fund rehabilitation and associated costs incurred relate to the commitment we have made to expedite the reinstatement of legacy retirement funds and supports our drive to simplify the organisation. Liberty Corporate remains focused on reducing the levels of retirement fund unclaimed benefits on schemes under administration and is committed to exhausting all reasonable options to trace and facilitate the payment of benefits as soon as possible.

LibFin Markets

The asset liability management portfolio reflected a profit of R44 million which is well above the comparative period loss of R74 million which arose from extremely volatile market conditions in the first half of 2020.

Earnings from the credit portfolio amounted to R79 million (30 June 2020: R132 million). Lower opening credit assets under management in 2021, due to lower credit origination in 2020 as a response to the pandemic, resulted in a lower credit accrual for the first half of 2021. Lower credit origination in the first half of 2021 within the portfolio also contributed to the lower result. LibFin Markets assets under management (which includes the credit portfolio) amounted to R84 billion (31 December 2020: R77 billion).

South African Asset Management

STANLIB South Africa

STANLIB South Africa earnings of R242 million (30 June 2020: R226 million) reflect higher fee income due mainly to higher assets under management in 2021, partly offset by lower investment income due to the strengthening of the South African rand against foreign currencies over the period.

STANLIB South Africa continues to experience strong cash inflows. Net external third party client cash inflows amounted to R12,8 billion compared to R14,7 billion in the comparative period, reflecting strong retail and institutional non-money market net inflows which were offset by reduced inflows to money market funds. Particularly strong inflows to the institutional and corporate money market funds were experienced in the comparative period due to prevailing market sentiment at the time. Intragroup cash outflows for the period amounted to R7,3 billion.

Good investment performance has been maintained, with certain STANLIB core retail funds delivering first and second quartile performance over longer-term time horizons.

Total assets under management by STANLIB South Africa increased from R614 billion at 31 December 2020 to R652 billion at 30 June 2021, with the increase attributable to favourable financial market movement and net external cash inflows during the current period.

Africa Regions

Africa Regions comprise Liberty Africa Insurance, the STANLIB asset management operations in the Southern African region and the majority of Liberty Health's operations which were reinstated as continuing operations with effect from 1 July 2020. A current period loss of R40 million was incurred compared to prior period earnings of R37 million.

Liberty Africa Insurance earnings of R34 million are ahead of comparative period earnings of R25 million. Earnings were positively impacted by good cost management, with COVID-19 austerity measures applied. Earnings of R12 million from the STANLIB asset management businesses was in line with the prior period. These positive impacts were offset by the loss from the Liberty Health operations which were moved back to continuing operations from 1 July 2020 (current period loss of R86 million). Assets under management in STANLIB Africa amounted to R18 billion at 30 June 2021 (31 December 2020: R18 billion).

Shareholder Investment Portfolio (SIP)

The SIP includes the assets backing capital in the insurance operations as well as the group's market exposure to the 90:10 book of business and other property assets.

Improved financial market conditions in 2021 resulted in strong performances from South African equities and bonds in particular and resulted in the SIP delivering a gross return of 4,8% (30 June 2020: negative 2,2%) and reflecting a profit of R753 million (30 June 2020: loss of R631 million).

The performance of the SIP remains vulnerable to continued market volatility. However, the SIP exposure to financial markets remains appropriate in the context of the group's risk appetite and capital management strategy.

Liberty Two Degrees (L2D)

L2D released its results for the six-month period ended 30 June 2021 on 26 July 2021. The results are available at www.liberty2degrees.co.za.

Bancassurance

The strategically important bancassurance agreement with SBG is applicable across the group's operations. The total indexed new business premiums sold under the agreement increased by 40,0% compared to the prior period, largely due to increased credit life sales in South Africa.

Liberty and SBG have enjoyed a long-standing strategic relationship, with Standard Bank as a majority shareholder, as well as having a highly successful and valuable bancassurance arrangement in place. The proposed transaction is a natural progression in this special relationship, increasing our ability to collaborate to provide the best financial service offerings to our clients through the most effective means.

Dividend

Despite the group's strong capital position, the uncertainty that still exists regarding the ongoing spread of the COVID-19 virus in South Africa in the short term and its economic consequences resulted in the Board deciding to retain its prudent approach to support capital strength, and not to declare a dividend in respect of the six-month period ended 30 June 2021.

Prospects

We expect the South African macro environment to remain challenging for the remainder of the year, with consumers and businesses remaining under pressure. Notwithstanding economic headwinds, we remain committed to the execution of our strategy, which at its core is the delivery of an excellent client and adviser experience. The group is expected to remain well capitalised and able to provide uninterrupted service to our clients and advisers, continuing to fulfil our purpose.

We are committed to the simplification and transformation of our business to ensure its long-term competitiveness. We remain confident in our strategy to focus on our client and adviser experience, providing transparent, accessible digital risk and investment solutions, and an unremitting drive for simplicity. We will continue to live by our purpose and play a meaningful role in making our clients' financial freedom possible.

Should Liberty's non-controlling shareholders and the relevant regulatory authorities approve the proposed transaction with SBG, we anticipate the finalisation of all conditions precedent by the first quarter of 2022. We expect that the existing strong alignment of Standard Bank and Liberty's goals should allow for an accelerated and seamless integration of the businesses.

We would like to thank all members of the Liberty community for their extraordinary commitment, resilience and hard work, and our clients for their continued support.

David Munro
Chief Executive

Jacko Maree
Chairman

4 August 2021

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LIBERTY

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These results are available at www.libertyholdings.co.za.

ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements of Liberty Holdings Limited for the six months ended 30 June 2021 have been prepared in accordance with and contain information required by:

- International Financial Reporting Standards (IFRS) including IAS 34 *Interim Financial Reporting*;
- the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- the Listings Requirements of the JSE Limited; and
- the South African Companies Act, No. 71 of 2008.

The accounting policies applied in the preparation of these interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements except for the mandatory adoption of amendments to IFRS effective in the current year and the early adoption of certain amendments to IFRS, as detailed below.

The impact on the group's financial results, disclosures or comparative information as a result of these amendments is not significant.

Adoption of amended standards effective for the current year

IFRS 4 *Insurance Contracts*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, IAS 39 *Financial Instruments: Recognition and Measurement* (amendments)

The second phase of Interest Rate Benchmark Reform (IBOR) resulted in amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 requirements to enable companies to deal with its effect on financial instruments and to continue providing useful information to investors. The amendments require entities to update the effective interest rate to reflect the change to the alternative benchmark rate instead of derecognising or adjusting the carrying amount of financial instruments for changes required by the reform. An entity will not have to discontinue hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria. In addition, the amendments require companies to provide additional information to investors about new risks arising from the reform and how it manages the transition to alternative benchmark rates. The group will transition to alternative benchmarks as each interest rate benchmark is replaced.

IFRS 16 *Leases* (amendment)

In light of the recent COVID-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular COVID-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits lessees to apply the practical expedient as an accounting policy choice to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2021. The group elected not to apply this practical expedient.

Early adoption of amended standards

IFRS 9 *Financial Instruments*: General Hedge Accounting (GHA)

The revised general hedge accounting requirements are better aligned with an entity's risk management activities and allows for various simplifications in achieving hedge accounting. The group has elected to adopt and transition to IFRS 9 GHA for all current and further micro hedges (hedges that minimise/manage the risk exposure of a single instrument). However, due to the IASB's project, Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach (PRA), not yet being finalised, the group will continue to apply IAS 39 for all macro hedges, where applicable (hedges that minimise/manage the risk exposure of a portfolio). As at 1 January 2021, the risk management objective and the hedge documentation for all micro hedges has been updated to comply with the requirements of IFRS 9 GHA. The micro hedge relationships which existed as at 1 January 2021 were treated as continuing hedge relationships and resulted in no transition or profit or loss impact for the group. The group has applied IFRS 9 GHA in principle on a prospective basis for all micro hedge relationships except for certain hedge relationships where the group has elected to separate the foreign currency basis spread. IFRS 9 GHA has been applied retrospectively for these hedge relationships. This will result in the group separating the foreign currency basis spread for these hedge relationships from the existing cash flow hedge reserve and separately disclosing the foreign currency basis spread in the annual financial statements.

IFRS 16 *Leases* (amendment)

The amendment extends the availability of the practical expedient so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The group elected not to apply this practical expedient.

IAS 1 *Presentation of Financial Statements* (amendments), IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (amendments)

In response to the IASB's Disclosure Initiative – Principles of Disclosure, the amendments introduce a requirement on entities to disclose their material accounting policy information rather than significant accounting policies. To support this amendment the IASB also amended its IFRS Materiality Practice Statement to explain and demonstrate the application of the materiality process to accounting policy disclosures. The amendments have been applied prospectively.

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

The amendments introduce the definition of accounting estimates and include amendments to assist entities to distinguish changes in accounting estimates from changes in accounting policies. The amendments have been applied prospectively.

New standards not yet effective

IFRS 17 *Insurance Contracts* (effective 1 January 2023) will have a significant financial reporting impact for the group. Good progress has been made in preparation for the adoption of the standard (both in terms of actuarial modelling as well as financial architecture development and build) and the group remains confident that it will be ready for adoption from the effective date. There remains several key technical interpretation issues across the auditing and industry communities. These include but are not limited to, the identification of the non-distinct investment component, contracts that have switching options between investment and investment with discretionary participation features and inclusion of so called South African I-E taxes in the fulfilment cash flows. The financial impact of IFRS 17 has not yet been fully assessed and it is anticipated that the impact will only be quantified with reasonable certainty in 2022 (being a combination of transition values as well as expected future revenue recognition patterns). Initial indications from analysis completed to date and the various preliminary key judgements applied, is that the transition adjustments are unlikely to cumulatively result in a very significant net adjustment to net asset value at transition date.

Restatement of prior year comparatives

As disclosed in the group's annual financial statements, various changes in prior year comparatives were adopted for the year end 31 December 2020. These changes are a) change in policyholder contract classification and b) presentation of the 'Right-of-use asset' on the face of the statement of financial position, separately from its previous inclusion in the 'Equipment and right-of-use asset' line. There was no change to the group's net asset value or prior reported earnings as a result of these restatements. The 30 June 2020 comparative numbers have accordingly been restated and are explained in the 'Restatement of prior year comparatives' note.

Review/audit

These interim results have not been reviewed or audited by the company's auditors PricewaterhouseCoopers Inc.

GOING CONCERN

The directors have assessed the ongoing impact of the COVID-19 pandemic (COVID-19) and related economic impacts on the group as well as on the client segments, industries and regions in which the group operates. There remains a heightened level of uncertainty with the advent of this pandemic which has already given rise to an aggregate excess mortality cost approaching the expected 1 -200 year undiversified cost of mortality catastrophes allowed for in the calculation of Liberty Group Limited's (LGL) solvency capital requirements. In response to the classification of the virus as a global pandemic, the group established two crisis committees, namely Business Operations (with a focus on operational aspects) and Rapid Business Response (with a focus on commercial business risks). Both committees report directly to the Group Executive Committee which is the overall crisis management governance body. These committees meet frequently to ensure that all risks are considered and continuously monitored, and that mitigating controls and actions have been put in place to address emerging business risks, as well as address the needs and other considerations related to employees, advisors, customers and other stakeholders.

The 'Update on key judgements and risks under the ongoing COVID-19 pandemic' section included in this report detail management's assessment of the risks presented by the impacts of the pandemic as well as the key assumptions applied in the preparation of these results. In particular, details of the scenario modelled in estimating the pandemic reserve that sets aside financial resources to provide for the potential future impacts of the pandemic (within the guidance of international financial reporting standards) and various sensitivities to the key assumptions are disclosed. Asset values, where valuation models are used to determine fair value, have been reviewed in detail by internal or external valuation experts.

The group's capital management processes are designed to withstand infrequent adverse events such as this pandemic. This is evidenced in the group's solvency position, with LGL, the group's main insurance company, remaining well capitalised with a solvency capital coverage ratio of 1,73 times at 30 June 2021, which is comfortably within the capital coverage target range of 1,5 – 2,0 times. Liberty's risk appetite is set based on three dimensions, being normalised IFRS headline earnings, regulatory capital coverage and economic value at risk. After the establishment of the COVID-19 pandemic reserve which amounted to R3 114 million (pre-taxation and non-controlling interests, net of reinsurance) in 2020, the reassessment on a forward looking prospective basis at 30 June 2021 has resulted in a revised reserve of R1 552 million (pre-taxation and non-controlling interests, net of reinsurance). Liberty remains within risk appetite and risk target on all its risk dimensions at 30 June 2021.

Based on all these assessments, the directors consider it is appropriate for the going concern basis to be adopted in preparing the interim financial statements.

UPDATE ON KEY JUDGEMENTS AND RISKS UNDER THE ONGOING COVID-19 PANDEMIC

For full details of Liberty's key judgements and risk management, refer to Liberty Holdings Limited's annual financial statements for the year ended 31 December 2020. This update focuses on key judgements that are significant, or those that have changed, and risks that are of particular interest as a consequence of the COVID-19 pandemic. Other assumptions have been set following principles consistent with the prior period and consistent with actuarial guidance. In particular, an update is provided on how the pandemic reserve assumptions have changed as a consequence of the events over the last six months.

Update on the key judgements in setting the COVID-19 pandemic reserve

Due to the high levels of uncertainty associated with the unfolding COVID-19 pandemic, the directors and management are required to apply significant judgement to the potential future impact that COVID-19 will have on the group's operations and the associated measurement of various assets and liabilities as at 30 June 2021. The assets and liabilities where measurement judgements have been significantly revised or are still subject to uncertainty as at 30 June 2021 are summarised below.

Details of key judgements applied

Taking external information into account, management established a plausible 'reference scenario' in order to quantify a best estimate of the likely financial outcome of the pandemic, whilst recognising that the range of outcomes is large. This reference scenario was then applied, where applicable, to the assets and liabilities measurement models under the respective requirements of the IFRS, regulatory capital and group equity value (GEV) frameworks.

Revisions to underlying COVID-19 mortality assumption for the reference scenario

With the emergence of the more contagious Delta variant, it is assumed that 30% of the population are still to be infected with COVID-19 for the first time for the assumed theoretical herd immunity threshold of 80% - 85% to be reached. This is based on projections from various serology studies, which suggest that 50% - 55% of the population had already been infected at least once by 30 June 2021. However, with indications that natural immunity wanes over several months and that immunity is not always applicable for new emerging variants, it is further assumed that infections and reinfections will continue to occur until vaccinations reduce COVID-19 excess mortality to negligible levels. It is assumed that these infections and reinfections will equate to the same mortality as if a further 15% of people were to be infected for the first time. Of the 45% to be infected (i.e. 30% + 15%), it is assumed that 20% of them, hence 9% (45% x 20%) of the South African population (31 December 2020: 8% being 40% x 20%), will experience the age-specific case fatality rate assumptions as specified below, with the other 80% assumed to fully recover. It is anticipated that the majority of these excess deaths occur during the current third wave with the balance occurring late in 2021 and into 2022.

COVID-19 case fatality rate assumptions by age group

Age	30 June 2021 [(1),(2)]	31 December 2020[(3)]
0-10	**0,0%**	0,0%
10-20	**0,2%**	0,2%
20-30	**0,2%**	0,2%
30-40	**0,2%**	0,2%
40-50	**0,4%**	0,4%
50-60	**1,3%**	1,3%
60-70	**2.5%**	3,6%
70-80	**5.6%**	8,0%
80+	**10.4%**	14,8%

(1) *The assumed case fatality rates have been reduced for Ages 60+ from those used at 31 December 2020 to allow for the increasing proportion vaccinated.*

(2) *In line with relative excess experience observed between different portfolios in the first and second wave, the COVID-19 case fatality rate assumptions on non-underwritten assured lives (which excludes annuitants) are assumed to be a relative 50% higher than the rates in the table for each age band to better reflect the excess mortality expected.*

(3) *Based on age based COVID-19 mortality experience as evidenced in the published Wuhan research study.*

In the African regions outside of South Africa in which the group operates, the assumptions have been assessed taking the circumstances of each country into account.

Policyholder insurance contracts and investment contracts with discretionary participation features

As a result of the emergence of COVID-19 in 2020 in South Africa and in the other jurisdictions in which Liberty operates, the group held a pandemic reserve (included in insurance contract liabilities) at 31 December 2020 on the various reported financial metrics in respect of insurance contracts in-force. This reflected the estimated net adverse impact in the short-term to the best estimate cash flows and related margins on these contracts, in excess of the supportable long-term assumptions. These impacts are a combination of the likely impact to the health of customers (mortality and morbidity) as well as the indirect impacts that the pandemic is expected to have on retrenchments, withdrawals and expenses. The impacts to the group's IFRS earnings, group equity value (including SA covered business embedded value) and the group's solvency capital position have been assessed. Given the continued high level of uncertainty of these short-term assumptions, sensitivities to these assumptions continue to be disclosed.

A pandemic reserve similarly reflecting the estimated net adverse future impact in the short-term at 30 June 2021 based on a revised reference scenario has been maintained on various reported financial metrics. For IFRS purposes, this has resulted in the recognition of a short-term pandemic reserve pre-tax and non-controlling interests' share of R1 552 million (31 December 2020: R2 291 million) net of reinsurance. The pandemic reserve has also led to a R536 million (31 December 2020: R1 077 million) value of in-force impairment in respect of South African (SA) covered business embedded value post-tax. The pandemic reserve impact on Liberty Group Limited (LGL) required capital and available capital resulted in the LGL solvency capital requirement cover ratio decreasing from 1,80 (excluding the pandemic reserve) to 1,73 at 30 June 2021 (31 December 2020: 1,91 to 1,81).

UPDATE ON KEY JUDGEMENTS AND RISKS UNDER THE ONGOING COVID-19 PANDEMIC (CONTINUED)

The pandemic reserve estimate at 30 June 2021 has been derived from the following assumptions:

- The age-based case fatality rate assumptions tabled above will apply to 9% of Liberty's customers, including life assureds and annuitants (8% at 31 December 2020);
- The lump sum disability experience outgo will increase by a relative 15% over a one-year period from 1 July 2021 (31 December 2020: a relative 35% over a one-year period from 1 January 2021);
- An additional absolute 2% (31 December 2020: an additional absolute 6%) of retail customers will be retrenched, above long-term assumptions;
- Liberty Corporate's customer revenue base reduces by an additional absolute 15% (31 December 2020: 15%) through a combination of increased customer terminations and member withdrawals related to the adverse economic conditions expected;
- An absolute additional 1,5% (31 December 2020: absolute 5%) of Retail risk and voluntary investment policies will terminate; and
- Cost overruns in the short-term as a result of lower than budgeted new business volumes and higher than expected terminations.

The short-term impacts on dread disease and income disability benefits continue to be within the typical variability of the long-term experience and are thus considered supportable by the long-term assumptions.

These assumptions have been consistently applied in the determination of the value of in-force contracts in the SA covered business embedded value, as well as for solvency capital requirement calculations.

Excess mortality over the last 6 months was higher than assumed in the pandemic reserve at 31 December 2020. Emerging evidence suggests that this was as a result of a worse than anticipated (40% worse) severity of the Beta variant which was the main variant circulating late in 2020 and early this year. With the recent emergence of the assumed more contagious Delta variant in South Africa, together with longer delays in vaccination rollouts than anticipated, the infection rate assumptions were revised at 30 June 2021 to reflect that a higher proportion of people are expected to be infected or reinfected with variants of COVID-19 before vaccinations are expected to reduce such deaths to negligible levels. The severity of the Delta variant, and subsequent variants, is assumed to be more in line with the variants in the first wave in 2020. In combination, these factors have resulted in the mortality component of the pandemic reserve being topped up in the first 6 months of 2021.

The lump sum disability, retrenchment, withdrawal and expense experience in the first half of 2021 were well within the assumptions of the pandemic reserve set up at 31 December 2020. These assumptions were revised for the pandemic reserve established at 30 June 2021 to reflect a better expected outlook, based on the better than expected experience thus far during the pandemic. The reserve release from these revisions has been used to partly offset the top-up required on the mortality assumption.

The pandemic estimates have been disclosed on a net of reinsurance basis, allowing for expense modelling considerations and reinsurance recoveries where applicable. The impacts of applying these assumptions on the various bases are summarised in the table below:

Reference scenario – impact at 30 June 2021 (Rm)	**Group Equity Value**	**IFRS Net Asset Value**	**Value of in-force net of cost of capital**
Pandemic reserve raised 31 December 2020– net of tax and non-controlling interests	2 712	1 635	1 077
Pandemic reserve raised 31 December 2020 – net of reinsurance	3 787	2 291	1 496
Taxation relief and non-controlling interests applied	(1 075)	(656)	(419)
Pandemic reserve utilised from 1 January to 30 June 2021 – net of tax and non-controlling interests	(1 215)	(1 254)	39
Pandemic reserve utilised from 1 January to 30 June 2021 – net of reinsurance	(1 708)	(1 761)	53
Taxation relief and non-controlling interests applied	493	507	(14)
Pandemic reserve top-up on 30 June 2021 – net of tax and non-controlling interests	149	729	(580)
Pandemic reserve top-up on 30 June 2021 – net of reinsurance	217	1 022	(805)
Taxation relief and non-controlling interests applied	(68)	(293)	225
Pandemic reserve at 30 June 2021 – net of tax and non-controlling interests	**1 646**	**1 110**	**536**
Pandemic reserve at 30 June 2021 – net of reinsurance	2 296	1 552	744
Taxation relief and non-controlling interests applied	(650)	(442)	(208)

	LGL solvency capital requirement cover (times))
Reduction in LGL solvency capital requirement coverage ratio due to pandemic reserve adjustments at 30 June 2021	**(0,07)**

Reference scenario – impact at 31 December 2020 (Rm)	Group Equity Value	IFRS Net Asset Value	Value of in-force net of cost of capital
Pandemic reserve raised 30 June 2020 – net of tax and non-controlling interests	3 003	2 175	828
Pandemic reserve raised 30 June 2020 – net of reinsurance	4 191	3 041	1 150
Taxation relief and non-controlling interests applied	(1 188)	(866)	(322)
Pandemic reserve utilised 1 July to 31 December 2020 – net of tax and non-controlling interests	(592)	(592)	
Pandemic reserve utilised 1 July to 31 December 2020 – net of reinsurance	(823)	(823)	
Taxation relief and non-controlling interests applied	231	231	
Pandemic reserve recalibration at 31 December 2020 – net of tax and non-controlling interests	301	52	249
Pandemic reserve recalibration at 31 December 2020 – net of reinsurance	419	73	346
Taxation relief and non-controlling interests applied	(118)	(21)	(97)
Pandemic reserve at 31 December 2020 – net of tax and non-controlling interests	2 712	1 635	1 077
Pandemic reserve at 31 December 2020 – net of reinsurance	3 787	2 291	1 496
Taxation relief and non-controlling interests applied	(1 075)	(656)	(419)

	LGL solvency capital requirement cover (times)
Reduction in LGL solvency capital requirement coverage ratio due to pandemic reserve adjustments at 31 December 2020	(0,10)

The IFRS insurance liability adjustment includes an overall assessment of the liability adequacy requirement as prescribed under IFRS 4 *Insurance Contracts*.

Great uncertainty about the long-term impact of the pandemic remains. With no clear indication that there is any material adverse long-term impact of the pandemic, no changes to long-term assumptions were considered necessary at 30 June 2021. In anticipation of vaccination rollouts at frequencies required to suppress new evolving variants, and improvements in therapeutics and medical access, it is still expected that COVID-19 experience will fall within the typical variability of experience arising from general contagious disease spread in the long-term.

Policyholder assets and liabilities under insurance contracts include provisions for the net present value of expected future benefits and expected future costs, less expected future premiums; plus, claims incurred and not reported (IBNR). An IBNR provision is an estimate of the ultimate cost of claims where the loss event has occurred prior to financial position date, but which have not been reported at that date. In South Africa, material increases in excess deaths occurred in June 2021 and December 2020. The IBNR at 30 June 2021 factored in an additional R196 million (31 December 2020: R342 million) net of expected reinsurance recoveries to reflect the estimated excess COVID-19 death claims incurred in the month preceding the financial reporting date that were yet to be reflected in the development of reported claims by the financial reporting date.

Sensitivities to the LGL insurance contract pandemic reserve are tabled below. Sensitivities have only been determined for an upward shock. The impact of a downward shock would be a profit similar in magnitude to the loss on the upward shock presented. The pre non-controlling interest and tax reserve of R32 million (31 December 2020: R41 million) in respect of Liberty Africa Insurance has not been included in the sensitivities as it is considered immaterial from a group perspective. The impacts presented below are net of reinsurance and taxation consequences. Any taxation relief is assumed to be recoverable. Some of the stress adjustments applied to the reference scenario have changed between 31 December 2020 and 30 June 2021 to reflect an updated view of the extent of the presumed risk.

UPDATE ON KEY JUDGEMENTS AND RISKS UNDER THE ONGOING COVID-19 PANDEMIC (CONTINUED)

30 June 2021 Sensitivity variable	IFRS contract boundary [1]	Adjustment to the reference scenario [2]	Impact to the group's IFRS reported profit or loss Rm	Impact to the group's reported Group Equity Value earnings Rm	Impact to the LGL solvency capital requirement cover (times covered)
Mortality risk experience – assured lives	Long	+4.5% absolute to the expected 9% of population experiencing the revised 2021 case fatality rate assumptions (equates to a 50% relative increase to the pandemic reserve in respect of mortality) [3]	(334)	(310)	(0,017)
	Short[4]		(118)	(115)	(0,006)
Mortality risk experience – annuitants[5]		*(equates approximately to a +14% relative increase to overall mortality on average for 1 year)*	44	48	0,003
Lump sum disability risk experience	Long	+10% proportional increase for 1 year	(32)	(29)	(0,001)
	Short		(8)	(8)	(0,000)
Retail retrenchment risk experience	Long	+2% absolute increase for 1 year	(10)	(9)	(0,000)
	Short	*(equates to a greater than +80% relative increase for 1 year)*		(22)	
Corporate withdrawals and terminations		+10% absolute increase in loss of customer revenue base *(equates approximately to a +100% relative increase on average for 1 year)*		(167)	
Retail risk and investment policy terminations		+1.5% absolute increase on Retail risk and voluntary investment business	(140)	(366)	(0,008)

(1) *In some instances, the sensitivities have been split dependent on whether the IFRS contract boundary is considered short or long. Short boundary business encompasses Corporate risk fund business, and Retail embedded credit business. The balance of the group's business is categorised as long boundary. This is to facilitate a comparison with the IFRS sensitivities provided in the Risk management section in the annual financial statements for the year ended 31 December 2020, since the impact on the sensitivities is zero for contracts with a short boundary definition, but given the extent of the stress in the short-term it does give rise to a sensitivity in the table above.*

(2) *In some instances, approximate proportional sensitivities have been provided to aid comparison with the sensitivities provided in the Risk management section in the annual financial statements, after adjusting with a suitable assumed discounted weighted average outstanding term of the cashflows. The stresses have been calibrated such that the actual financial consequence, if adverse, is reasonably likely to fall within the impact disclosed above.*

(3) *The 50% relative stress is considered a reasonable stress to appropriately reflect the range of likely impact for Liberty given its small weighted exposure to HIV and TB relative to the population.*

(4) *The short-boundary mortality risk sensitivities have primarily increased from 31 December 2020 to 30 June 2021 due to the assumed additional 50% relative increase applied to the case fatality rates on non-underwritten assured lives.*

(5) *The annuitant mortality sensitivities have primarily reduced from 31 December 2020 to 30 June 2021 due to the assumed adjustment to case fatality rates from Age 60+ to allow for the increasing proportion of vaccinated individuals.*

UPDATE ON KEY JUDGEMENTS AND RISKS UNDER THE ONGOING COVID-19 PANDEMIC (CONTINUED)

31 December 2020 **Sensitivity variable**	**IFRS contract boundary** [(1)]	**Adjustment to the reference scenario** [(2)]	**Impact to the group's IFRS reported profit or loss** **Rm**	**Impact to the group's reported Group Equity Value earnings** **Rm**	**Impact to the LGL solvency capital requirement cover (times covered)**
Mortality risk experience – assured lives	Long	+4% absolute to the expected 8% of population experiencing Wuhan mortality in the calculation of the pandemic reserve (i.e. a 50% relative increase to the pandemic reserve in respect of mortality)[(3)]	(344)	(320)	(0,019)
	Short		(82)	(79)	(0,005)
Mortality risk experience – annuitants		*(equates approximately to a +14% relative increase to overall mortality on average for 1 year)*	51	56	0,003
Lump sum disability risk experience	Long	+10% proportional increase for 1 year	(32)	(29)	(0,002)
	Short		(8)	(8)	(0,000)
Retail retrenchment risk experience	Long	+5% absolute increase for 1 year	(25)	(23)	(0,001)
	Short	*(equates to a greater than +200% relative increase for 1 year)*		(55)	
Corporate withdrawals and terminations		+10% absolute increase in loss of customer revenue base (equates approximately to a +100% relative increase on average for 1 year)		(184)	
Retail risk and investment policy terminations		+5% absolute increase on Retail risk and voluntary investment business *(equates approximately to a +50% relative increase on average for 1 year)*	(483)	(1 092)	(0,072)

(1) *In some instances, the sensitivities have been split dependent on whether the IFRS contract boundary is considered short or long. Short boundary business encompasses Corporate risk fund business, and Retail embedded credit business. The balance of the group's business is categorised as long boundary. This is to facilitate a comparison with the IFRS sensitivities provided in the Risk management section in the annual financial statements for the year ended 31 December 2020, since the impact on the sensitivities is zero for contracts with a short boundary definition, but given the extent of the stress in the short-term it does give rise to a sensitivity in the table above.*

(2) *In some instances, approximate proportional sensitivities have been provided to aid comparison with the sensitivities provided in the Risk management section in the annual financial statements, after adjusting with a suitable assumed discounted weighted average outstanding term of the cashflows. The stresses have been calibrated such that the actual financial consequence, if adverse, is reasonably likely to fall within the impact disclosed above.*

(3) *The 50% relative stress is considered a reasonable stress to appropriately reflect the range of likely impact for Liberty given its small weighted exposure to HIV and TB relative to the population.*

Property fair value measurement

Independent external valuers are appointed to conduct interim and year-end valuations of South African investment properties. Among other inputs, the independent valuers applied current market-related assumptions to risks in rental streams of properties. The key assumptions in determination of the fair value are the exit capitalisation rates and discount rates. Other inputs considered relate to existing tenant terms, location, rental growth, vacancy levels and restrictions, if any, on the sale or use of the asset.

The owner-occupied properties are remeasured as appropriate in terms of IFRS guidance. The valuation of one of the group's owner-occupied properties has been aligned with a purchase written offer that is being considered.

The details of the valuation judgments and valuation sensitivities are contained in the 'Fair value measurement' section of this document.

Fair value of unlisted financial instruments disclosed as level 3 in the fair value hierarchy

The fair value of financial instruments significantly affects the measurement of profit and loss and disclosures of financial risks in the financial statements. Fair value calculations are dependent on various sources of external and internal observable data and on sophisticated modelling techniques used to value financial instruments. Financial instruments disclosed as level 3 have more unobservable inputs and the valuation requires greater judgement and estimation in determining appropriate valuation techniques and obtaining relevant and reliable inputs. The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process. The valuations of the private equity investments are performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines.

In determining the valuation of the investment, the principal assumptions used to determine the fair market value fall into three categories, namely:

- The projected long-term profitability of the given asset which is influenced by factors such as real gross domestic product growth and projected capital expenditure;
- The discount rate applied to expected future profits (or dividends as appropriate) which consider the prevailing long-term interest rates and various asset-specific risk premia; and
- In some instances, a further illiquidity discount is added to ensure that the asset can be transacted at the carrying value, if so required.

The details of the level 3 financial instruments and associated valuation judgments and valuation sensitivities are contained in the 'Fair value measurement' section of this report. There is no significant change in the composition of level 3 assets for the period.

Capital management and risk management update

Capital management

The following table summarises the available capital (or "own funds") and the solvency capital requirements for Liberty Group Limited.

Liberty Group Limited	30 June 2021	31 December 2020
Available capital (or "own funds") (Rm)	31 068	30 275
Solvency capital requirement (SCR) (Rm)	17 933	16 703
SCR coverage ratio (times)	1,73	1,81
Target SCR coverage ratio (times)	1,5 – 2,0	1,5 – 2,0

The Solvency Capital Requirement (SCR) cover of Liberty Group Limited (LGL), the group's main long-term insurance licence at 30 June 2021 remains strong at 1,73 times, which is well within the target range of 1,5 to 2,0 times. The reduction in SCR coverage is mainly driven by the continued impact of the COVID-19 pandemic, in particular setting up a further provision for worse mortality; as well as the increased foreign equity symmetric adjustment together with the Rand strengthening over the period.

Enterprise risk management

South Africa experienced an anticipated third COVID-19 wave in June 2021, driven by the highly transmissible Delta variant. This resulted in new lockdown restrictions being implemented to curb infections. Due to the slow initial vaccine rollout, the severity of the disease remains high and the financial impact of this wave is expected to be material. The low severity levels being experienced in recent new waves of infection in countries with high levels of vaccination highlight the effectiveness of vaccines in mitigating the risks associated with COVID-19. The South African vaccination rollout has accelerated significantly over the last quarter with further acceleration expected. The persistent nature of this pandemic has materially raised physical as well as mental health risks. Management will keep monitoring these developments and take actions as required.

The Crisis Management Team "CMT" (comprised of the executive committee given the breadth of the crisis) with two sub-committees: the Operations and Continuity CMT (chaired by the chief risk officer) and the Business Impact and Rapid Response CMT (chaired by the group's financial director) continued to monitor the progression and impact of the COVID-19 pandemic over the first half of 2021. Liberty's risk management policies facilitated the process to respond to the COVID-19 crisis by providing direction in terms of the high-level principles that needed to be adopted by executive management and the CMT.

Insurance risk

Over the last 6 months, the group has closely monitored the direct and indirect impacts emerging from the COVID-19 pandemic in order to inform appropriate management actions to be taken timeously.

UPDATE ON KEY JUDGEMENTS AND RISKS UNDER THE ONGOING COVID-19 PANDEMIC (CONTINUED)

The group has continued to take actions to refine underwriting and to put through premium increases, where considered necessary, to help ensure that the experience on new underwriting risks entered into is broadly in line with expectation. Further, the group continues to implement retention initiatives to manage its persistency. These initiatives have helped ensure that the excess withdrawal costs expected from the indirect impact of COVID-19, and the associated expected overrun in maintenance expenses, have been well within the allowance made in the pandemic reserve.

With the pandemic and socio-economic situation rapidly evolving, the group will continue to monitor the insurance environment, including the competitive landscape, to take appropriate management actions where required.

Market risk

Shareholder investment portfolio

The following table summarises exposures in the shareholder investment portfolio.

SHAREHOLDER INVESTMENT PORTFOLIO

	30 June 2021				31 December 2020			
Exposure category	**Local Rm**	**Foreign Rm**	**Total Rm**	**%**	Local Rm	Foreign Rm	Total Rm	%
Equities	3 749	2 953	6 702	24	3 456	2 284	5 740	22
Bonds	8 369	386	8 755	32	8 190	399	8 589	32
Cash	2 404	50	2 454	9	3 516	50	3 566	13
Property	7 991		7 991	29	7 010		7 010	26
Other	861	842	1 703	6	890	983	1 873	7
Total	23 374	4 231	27 605	100	23 062	3 716	26 778	100
Assets backing capital			9 725	35			11 545	43
Assets backing policyholder liabilities			11 779	43			9 618	36
90:10 exposure(1)			2 951	11			2 915	11
Property exposure backing other liabilities(2)			3 150	11			2 700	10
Reconciliation to IFRS shareholders' equity								
Shareholder Investment Portfolio			27 605				26 778	
Less: 90:10 exposure(1)			(2 951)				(2 915)	
Less: Property exposure backing other liabilities(2)			(3 150)				(2 700)	
Less: Subordinated notes			(5 994)				(5 998)	
South African insurance operations group funds			15 510				15 165	
Liberty Group Limited group's IFRS shareholders' equity			16 547				16 459	
Insurance group funds			15 510				15 165	
Liberty Two Degrees(3)			1 037				1 294	

(1) *The 90:10 exposure is the exposure on certain contracts which include terms that allocate 10% of the investment returns to Liberty shareholders.*

(2) *Property exposures backing other liabilities represents exposures on property assets backing certain policyholder reserves where the shareholder is exposed to the capital return on the backing assets.*

(3) *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 shares 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.*

UPDATE ON KEY JUDGEMENTS AND RISKS UNDER THE ONGOING COVID-19 PANDEMIC (CONTINUED)

SHAREHOLDER INVESTMENT PORTFOLIO PERCENTAGE ALLOCATION

Exposure category %	30 June 2021				31 December 2020			
	Assets backing capital	Assets backing policyholder liabilities	90:10 and other property exposure	Total	Assets backing capital	Assets backing policyholder liabilities	90:10 and other property exposure	Total
Local assets								
Equities	5	5	4	14	9		4	13
Bonds, cash and property	18	37	14	69	21	36	13	70
Other	3			3	3			3
Foreign assets								
Equities	6	1	3	10	6		3	9
Bonds, cash and property			1	1			1	1
Other	3			3	4			4
Total	35	43	22	100	43	36	21	100

Given global liquidity and accommodative monetary stances taken by central banks, markets have recovered strongly and have experienced a period of relative stability in 2021. The portfolio has benefitted from this broad-based recovery, with the strengthening of the Rand offsetting some of the gains during the period.

Asset Liability Management portfolio

The hedging program continued to be effective in reducing earnings volatility and was managed within approved risk limits during the period. Global inflationary concerns and the implications for global liquidity remains top of mind for investors heading into the second half of 2021.

Property

The group remains exposed to tenant default, depressed rental markets and unlet space within its investment property portfolio. The first half of 2021 has seen a steady recovery in trading and a consequential reduction in rental rebates and discounts. Operational performance has improved in 2021 despite the ongoing uncertain socio-economic environment. Key operational indicators, including customer visits to malls, tenant occupancies, rental collections, turnover growth and occupational health and safety, have been encouraging. Processes remain in place with security teams, business partners and government to safeguard property assets, tenants and customers, to restore confidence and support these assets in the period ahead. The office sector remains under pressure with the industry oversupply further impacted by the working from home trend.

The last six months have seen an improvement in the rental arrears position, with most rental relief negotiations related to the 2020 period now concluded. The ongoing impact of the COVID-19 pandemic along with the recent events of social unrest in South Africa, post 30 June 2021, continue to weigh on the economy and have contributed to a difficult trading environment for the property sector in particular. Liberty properties were not damaged during the recent unrest.

Policyholder net outflows from the Liberty Property Portfolio have continued, albeit at a slower pace, in the first half of 2021, leading to increased shareholder property exposure. The exposures however remain well within Liberty's risk appetite limits in terms of both market and liquidity risk.

Credit risk

Ongoing credit research and engagements with borrower management teams have improved Liberty's understanding of the impact of COVID-19 and the lockdowns. Most of the borrowers initially impacted have been able to make changes to their business models and, in some cases, have sourced additional equity in order to stabilize their businesses. There are, however, still relatively small exposures to the hospitality sector and gyms where the longer-term impact is not yet well understood and further material interventions and/or concessions will be needed to save these businesses.

Overall credit risk being taken has increased due to the deterioration of the macro economic environment and weaknesses in the state owned enterprise sector as evidenced by the rating agency down grades.

Liquidity risk

LGL's efforts to conserve liquidity, primarily through constraining credit origination activities in 2020, resulted in a build-up of liquidity with the group's liquidity position strengthening significantly. Credit origination activities have resumed which will consume some of this liquidity during the remainder of the year. The overall liquidity position remains strong.

Policyholder outflows from illiquid assets have continued to be experienced, resulting in increased exposure for shareholders. Given the strong liquidity position of the group the outflows do not pose near-term threats to risk appetite.

EXPLANATION OF TERMS

Development costs

Represents project costs incurred on developing or enhancing future revenue opportunities.

FCTR

Foreign currency translation reserve.

FVOCI

Fair value through other comprehensive income.

FVPL

Fair value through profit or loss

"Liberty" or "group"

Represents the collective of Liberty Holdings Limited and its subsidiaries.

Long-term insurance operations – Indexed new business

This is a measure of new business which is calculated as the sum of 12 months' premiums on new recurring premium policies and one-tenth of single premium sales.

Long-term insurance operations – Value of new business and margin (VoNB)

The present value, at point of sale, of the projected stream of after-tax profits for new business issued, net of the cost of required capital. The present value is calculated using a risk-adjusted discount rate. Margin is calculated using the value of new business divided by the present value of future modelled premiums.

Negative rand reserves

Negative liabilities (within long-term policyholder liabilities) and policyholder assets arising when the discounted value of expected future inflows exceeds the discounted value of expected future outflows.

Pandemic

The COVID-19 pandemic.

Short-term insurance operations – Claims loss ratio

This is a measure of underwriting risk and is measured as a ratio of claims incurred divided by the net premiums earned.

Solvency capital requirement (SCR)

The SCR is the excess of assets over liabilities required by an insurer to ensure that its assets remain larger than its liabilities with a 99.5% level of certainty over a one-year time horizon, with assets and liabilities valued in accordance with the Insurance Act, 2017.

Normalised: headline earnings, headline earnings per share, return on equity, group equity value per share and return on group equity value

These measures reflect the economic reality of the Black Economic Empowerment (BEE) transaction and the consolidation of the listed Liberty Two Degrees (L2D) as opposed to the required IFRS accounting treatment.

BEE transaction

IFRS reflects the BEE transaction as a share buy-back. Dividends received on the group's preference shares (which are recognised as an asset for this purpose) are included in income. Shares in issue relating to the transaction are reinstated.

Reversal of accounting mismatch arising on IFRS profit or loss consolidation of L2D

An accounting mismatch arises on consolidation of L2D in the group financial statements, resulting from the different measurement bases applied to L2D's assets and Liberty Group Limited's (100% subsidiary of Liberty Holdings Limited) policyholder liabilities. Specifically:

- on a consolidated look through basis the investment property assets of L2D are included in the group financial statements at fair value; whereas
- the corresponding linked obligations to Liberty Group Limited's policyholders are required under IFRS to continue to be measured in the group financial statements at the listed price of the L2D shares.

The result of this is an accounting mismatch that represents any difference in the profit and loss movement in the price at which L2D's listed shares trade relative to the underlying net asset value.

L2D adjustment in group equity value

In addition to the reversal of the accounting mismatch in IFRS profit or loss described above, the group equity value adjusts the exposures in the Shareholder Investment Portfolio (SIP) to the listed share price.

Summary of impact

Below is a summary of the L2D transaction impact on the ordinary shareholders' equity:

Rm	Group equity value Total	IFRS net asset value	SIP equity value adjustment
Opening adjustment at 1 January 2021	1 313	252	1061
Normalised profit or loss	(64)	(64)	
Group equity value earnings - SA covered business	(208)		(208)
Group equity value earnings - Other	(4)		(4)
Transaction between owners and other equity movements	15	38	(23)
Closing adjustment at 30 June 2021	**1 052**	**226**	**826**

NOTES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

Rm	**Unaudited 30 June 2021**	Unaudited Restated[1] 30 June 2020	Audited 31 December 2020
Assets			
Intangible assets	**549**	474	498
Defined benefit pension fund employer surplus	**85**	89	89
Properties	**30 653**	32 059	30 823
Equipment	**508**	536	548
Right-of-use assets	**436**	195	463
Interests in joint ventures	**65**	1 380	510
Interests in associates	**21 297**	18 562	20 962
Deferred taxation	**203**	202	240
Deferred acquisition costs	**783**	796	784
Long-term policyholder assets – insurance contracts	**4 241**	5 746	5 050
Reinsurance assets	**3 492**	2 967	3 082
Long-term insurance	**2 887**	2 341	2 585
Short-term insurance	**605**	626	497
Financial investments	**377 173**	346 178	355 541
Policy loans receivable	**224**	285	230
Assets held for trading and for hedging	**15 854**	20 629	23 503
Repurchase agreements, scrip and collateral assets	**7 073**	13 185	8 617
Prepayments, insurance and other receivables	**7 435**	6 492	5 813
Cash and cash equivalents	**15 588**	15 160	18 632
Non-current assets and disposal group assets classified as held for sale	**494**	217	213
Total assets	**486 153**	465 152	475 598
Liabilities			
Long-term policyholder liabilities	**340 490**	315 852	325 192
Insurance contracts	**218 461**	200 722	208 904
Investment contracts with discretionary participation features	**9 183**	9 960	9 334
Financial liabilities under investment contracts	**112 846**	105 170	106 954
Reinsurance liabilities	**198**	210	206
Third party financial liabilities arising on consolidation of mutual funds	**65 188**	58 268	61 505
Provisions	**140**	140	140
Deferred taxation	**2 520**	1 994	2 278
Deferred revenue	**363**	346	345
Short-term insurance liabilities	**1 211**	1 330	1 058
Financial liabilities	**9 250**	7 956	10 183
Lease liabilities	**468**	205	480
Liabilities held for trading and for hedging	**12 387**	16 113	18 105
Repurchase agreements, liabilities and collateral deposits payable	**8 438**	16 003	11 512
Employee benefits	**1 129**	1 080	1 341
Insurance and other payables	**15 747**	17 619	14 954
Current taxation	**283**	42	210
Disposal group liabilities classified as held for sale	**86**	172	92
Total liabilities	**457 898**	437 330	447 601
Equity			
Shareholders' equity	**21 223**	20 467	21 013
Share capital	**26**	26	26
Share premium	**4 924**	5 054	4 952
Retained surplus	**17 439**	16 268	17 221
Other reserves	**(1 166)**	(881)	(1 186)
Non-controlling interests	**7 032**	7 355	6 984
Total equity	**28 255**	27 822	27 997
Total equity and liabilities	**486 153**	465 152	475 598

[1] *Refer to 'Restatement of prior year comparatives' for more detail.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2021

Rm	Unaudited 30 June 2021	Unaudited Restated[3] 30 June 2020	Audited 12 months 31 December 2020
Revenue			
Insurance premiums	22 174	19 501	41 816
Reinsurance premiums	(1 298)	(1 365)	(2 614)
Net insurance premiums	20 876	18 136	39 202
Revenue from contracts with customers	1 732	1 767	3 400
Investment income	1 458	2 553	2 946
Interest income on financial assets using the effective interest rate method	766	903	1 648
Fair value adjustment to assets held at fair value through profit or loss	27 849	(4 110)	18 847
Total income	52 681	19 249	66 043
Claims and policyholder benefits under insurance contracts	(23 307)	(18 932)	(40 224)
Insurance claims recovered from reinsurers	1 806	984	2 161
Change in long-term policyholder assets and liabilities	(9 938)	6 041	(2 291)
Liabilities under insurance contracts	(9 585)	6 547	(1 848)
Policyholder assets related to insurance contracts	(809)	(1 271)	(1 967)
Investment contracts with discretionary participation features	145	381	889
Applicable to reinsurers	311	384	635
Fair value adjustment to long-term policyholder liabilities under investment contracts	(7 756)	436	(5 251)
Fair value adjustment to financial liabilities	(414)	(653)	(1 189)
Fair value adjustment on third party mutual fund interests	(2 752)	(2 482)	(4 488)
Acquisition costs	(2 024)	(2 023)	(4 058)
General marketing and administration expenses	(5 768)	(5 790)	(11 264)
Finance costs	(122)	(146)	(252)
Profit share allocations under bancassurance and other agreements	(756)	(767)	(1 472)
Remeasurement of disposal groups classified as held for sale			35
Profit on disposal of subsidiary			14
Equity accounted earnings from joint ventures	10	14	18
Equity accounted earnings from associates			(1)
Profit/(loss) before taxation	1 660	(4 069)	(2 219)
Taxation[1]	(1 109)	667	(403)
Total earnings/(loss)	551	(3 402)	(2 622)
Other comprehensive (loss)/income	(45)	293	(53)
Items that may be reclassified subsequently to profit or loss	(13)	240	(60)
Net change in fair value on cash flow hedges	21	(46)	(14)
Income and capital gains tax relating to net change in fair value on cash flow hedges	(6)	13	4
Net change in debt instruments measured at FVOCI	2	13	
Income tax relating to movement in debt instrument measured at FVOCI	(1)	(4)	
Foreign currency translation	(29)	264	(50)
Items that may not be reclassified subsequently to profit or loss	(32)	53	7
Owner-occupied properties – fair value adjustment	(48)	(43)	(84)
Income and capital gains tax relating to owner-occupied properties fair value adjustment	12	12	14
Change in long-term policyholder insurance liabilities (application of shadow accounting)	12	21	25
Actuarial (losses)/gains on post-retirement medical aid liability	(17)	47	56
Income tax relating to post-retirement medical aid liability	5	(13)	(16)
Net adjustments to defined benefit pension fund[2]	(2)	(26)	(24)
Income tax relating to defined benefit pension fund	1	7	7
Fair value adjustments to financial liabilities arising from own credit	7	67	40
Income tax relating to fair value adjustments to financial liabilities arising from own credit	(2)	(19)	(11)
Total comprehensive income/(loss)	506	(3 109)	(2 675)
Total earnings/(loss) attributable to:			
Shareholders' equity	223	(2 387)	(1 613)
Non-controlling interests	328	(1 015)	(1 009)
	551	(3 402)	(2 622)
Total comprehensive income/(loss) attributable to:			
Shareholders' equity	184	(2 185)	(1 647)
Non-controlling interests	322	(924)	(1 028)
	506	(3 109)	(2 675)
Basic and fully diluted earnings/ (loss) per share	Cents	Cents	Cents
Basic earnings/(loss) per share	84,3	(902,4)	(611,7)
Fully diluted basic earnings/(loss) per share	80,4	(867,7)	(588,8)

(1) *IFRS requires both policyholder and shareholder taxation to be reported in the taxation line. This therefore distorts the effective tax charge relative to profit before taxation.*

(2) *Net adjustments to defined benefit pension fund include actuarial gains or losses, return on plan assets, reduced by the interest on the net defined benefit asset and the effect of the application of the asset ceiling.*

(3) *Refer to 'Restatement of prior year comparatives' for more detail.*

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021

Rm	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 12 months 31 December 2020
Balance of shareholders' equity at 1 January	**21 013**	24 068	24 068
Ordinary dividends		(1 199)	(1 199)
Total comprehensive income/(loss)	**184**	(2 185)	(1 647)
FCTR recycled through profit and loss		2	2
Share subscriptions/(buy-backs)[1]	**24**	(245)	(362)
Black economic empowerment transaction		18	17
Share-based payments	**(8)**	24	101
Preference dividends	**(1)**	(1)	(2)
Transactions between owners - Liberty Two Degrees	**11**	(15)	35
Shareholders' equity	**21 223**	20 467	21 013
Balance of non-controlling interests at 1 January	**6 984**	8 321	8 321
Total comprehensive income/(loss)	**322**	(924)	(1 028)
FCTR recycled through profit and loss		2	2
Unincorporated property partnerships net (distributions)/capital contributions	**(100)**	71	(124)
Non-controlling interests' share of subsidiary distributions	**(124)**	(120)	(123)
Share-based payments	**2**	3	7
Disposal of interest in subsidiary – Liberty General Insurance Malawi		8	8
Transactions between owners - Liberty Two Degrees	**(52)**	(6)	(79)
Non-controlling interests	**7 032**	7 355	6 984
Total equity	**28 255**	27 822	27 997

[1] *Share buy-backs are purchases of shares from the market to meet employee share-based payment obligations and to hold as treasury shares and subscriptions are the sales of shares on cancellation of employee share-based payment obligations.*

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2021

Rm	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 12 months 31 December 2020
Cash flows from operating activities	**(465)**	(3 904)	(929)
Cash utilised by operations	**(6 307)**	(1 781)	(11 299)
Interest income on financial assets using the effective interest rate method	**766**	903	1 648
Distributions paid	**(1 502)**	(2 716)	(2 746)
Taxation paid	**(742)**	(613)	(1 243)
Net disposal/(purchase) of financial instruments[(1)]	**9 317**	(945)	14 938
Net disposal/(purchase) of other assets	**102**	(181)	827
Net (repayment of)/proceeds on collateral deposits payable	**(1 872)**	1 675	(2 638)
Other operating cash flows	**(227)**	(246)	(416)
Cash flows from investing activities	**26**	214	(290)
Net disposal of investments	**124**	163	355
Net (purchase)/disposal of other and disposal group assets	**(98)**	51	(647)
Proceeds on sale of disposal groups classified as held for sale			2
Cash flows from financing activities	**(2 593)**	1 297	2 466
Net (repayment of)/advance from financial liabilities	**(1 127)**	(18)	1 932
Net repayment of lease liabilities	**(39)**	(42)	(86)
Net (repayment of)/proceeds on repurchase agreements liabilities	**(1 415)**	1 452	986
Net cash flows from equity transactions with non-controlling interests	**(36)**	150	(4)
Share subscriptions/(buy-backs)	**24**	(245)	(362)
Net (decrease)/increase in cash and cash equivalents	**(3 032)**	(2 393)	1 247
Cash and cash equivalents at the beginning of the year	**18 632**	17 377	17 377
Foreign currency translation	**(12)**	124	(44)
Disposal group assets reclassified as held for use		52	52
Cash and cash equivalents at the end of the period	**15 588**	15 160	18 632

(1) *Included in the net disposal/(purchase) of financial instruments for June 2021 is R1 254 million (31 December 2020: R3 070 million, 30 June 2020: R1 685 million) related to dividends received and R4 936 million (31 December 2020: R10 283 million, 30 June 2020: R5 441 million) related to interest income.*

HEADLINE EARNINGS/(LOSS) AND EARNINGS/(LOSS) PER SHARE

for the six months ended 30 June 2021

Rm (unless otherwise stated)	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 12 months 31 December 2020
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to shareholders			
Total earnings/(loss) attributable to shareholders	223	(2 387)	(1 613)
Preference share dividend	(1)	(1)	(2)
Basic earnings/(loss) attributable to ordinary shareholders	222	(2 388)	(1 615)
Impairment of intangible assets		174	174
Tax on headline earnings adjustable item		(49)	(49)
Profit on disposal of subsidiary			(14)
Remeasurement of disposal groups classified as held for sale			(35)
Headline earnings/(loss) attributable to ordinary shareholders	222	(2 263)	(1 539)
Net income earned on BEE preference shares	2	2	4
Reversal of the accounting mismatch arising on consolidation of L2D[1]	64	88	(37)
Normalised headline earnings/(loss) attributable to ordinary shareholders	288	(2 173)	(1 572)
Weighted average number of shares in issue ('000)	263 322	264 618	264 036
Normalised weighted average number of shares in issue ('000)	268 482	270 783	269 696
Fully diluted weighted average number of shares in issue ('000)	276 156	275 204	274 299
Earnings/(loss) per share	Cents	Cents	Cents
Total earnings/(loss) attributable to ordinary shareholders			
Basic	84,3	(902,4)	(611,7)
Headline	84,3	(855,2)	(582,9)
Normalised headline	107,3	(802,5)	(582,9)
Fully diluted earnings/(loss) attributable to ordinary shareholders			
Basic	80,4	(867,7)	(588,8)
Headline	80,4	(822,3)	(561,1)

[1] *Refer to Explanation of terms.*

SUMMARY CONSOLIDATED SEGMENT INFORMATION

for the six months ended 30 June 2021

The unaudited segment results for the six months ended 30 June 2021 are as follows:

	South African Operations			
	Insurance operations			Asset management
Rm	SA Retail	Liberty Corporate	Other operations[1]	STANLIB South Africa
Net insurance premiums	23 294	4 731		
Investment returns	22 485	4 809	582	37
Revenue from contracts with customers[4]	108	31	66	1 178
Total income	**45 887**	**9 571**	**648**	**1 215**
Profit/(loss) before taxation	1 770	(686)	31	334
Taxation[3]	(1 205)	198	34	(92)
Total earnings/(loss)	**565**	**(488)**	**65**	**242**
Reconciliation of total earnings to headline earnings/(loss) attributable to shareholders				
Total earnings/(loss)	565	(488)	65	242
Attributable to non-controlling interests		(1)	(73)	
Preference share dividend			(1)	
Headline earnings/(loss)	**565**	**(489)**	**(9)**	**242**
Net income earned on BEE preference shares			2	
Reversal of the accounting mismatch arising on consolidation of L2D			64	
Normalised headline earnings/(loss)	**565**	**(489)**	**57**	**242**
Reconciliation of business operations (loss)/earnings to segment result				
South African Insurance Operations	540	49	(13)	
SA Retail	463			
Liberty Corporate		3		
Liberty Corporate – Fund rehabilitation			(13)	
LibFin Markets	77	46		
South African Asset Management				
STANLIB South Africa				242
Africa Regions				
Liberty Africa Insurance				
Liberty Health				
STANLIB Africa				
Shareholder Investment Portfolio	540	11	202	
Group Strategic Initiatives			(169)	
Central costs and sundry income	(7)		37	
Excess risk claims not covered by the pandemic reserve, net of taxation and non-controlling interests' share		(344)		
Establishment of COVID-19 pandemic reserve, net of taxation and non-controlling interests' share	(508)	(205)		
Normalised headline earnings/(loss)	**565**	**(489)**	**57**	**242**

(1) *Includes shareholders' equity, not allocated to the other operating segments, specifically invested to maximise the investment yield within the group's risk appetite and regulatory requirements and costs associated with the group's governance, investor relations, strategy co-ordination and certain corporate social investment and black economic empowerment activities.*

(2) *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund subsidiaries, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.*

(3) *IFRS requires both policyholder and shareholder taxation to be reported in the taxation line. This therefore distorts the effective tax charge relative to profit before taxation.*

(4) *Included in revenue from contracts with customers is R702 million related to service fee income from long-term policyholder investment contracts, R961 million of fee revenue and R69 million from reinsurance commission earned on insurance business.*

Service fee income on policyholder investment contracts comprises of both administration and asset management services and is recognised over time as services are rendered, with reference to the contract terms (agreed fee and service). These fees are generally recognised on a daily basis as these services are rendered consistently over the contract period and include utilisation of skilled professionals' time and applicable support services, including IT systems. Management fees on assets under management are recognised (with reference to agreed fee terms) as these services are rendered. This is generally on a daily basis over the duration of the contract as these services (being the utilisation of professional asset management skills, supported by IT systems and services) are consistently applied over the contract term.

The operating segments are supported by LibFin who manages the asset/ liability mismatch risk, originates and manages credit assets backing the guaranteed investment product set arising in the South African insurance operations and manages the performance of shareholder investment exposures in the South African life insurance operations. The impact of these activities is disclosed in the relevant segment grouping.

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the six months ended 30 June 2021

Africa Regions					
Liberty Africa Insurance	Liberty Health	STANLIB Africa	Total	Reporting adjustments[2]	IFRS reported
1 083	435		29 543	(8 667)	20 876
354	2	6	28 275	1 798	30 073
87	25	73	1 568	164	1 732
1 524	462	79	59 386	(6 705)	52 681
13	(60)	19	1 421	239	1 660
(27)	(12)	(5)	(1 109)		(1 109)
(14)	(72)	14	312	239	551
(14)	(72)	14	312	239	551
(12)	(1)	(2)	(89)	(239)	(328)
			(1)		(1)
(26)	(73)	12	222		222
			2		2
			64		64
(26)	(73)	12	288		288
			576		
			463		
			3		
			(13)		
			123		
			242		
34	(73)	12	(27)		
34			34		
	(73)		(73)		
		12	12		
			753		
			(169)		
			30		
(44)			(388)		
(16)			(729)		
(26)	(73)	12	288		

The unaudited segment results for the six months ended 30 June 2020 are as follows:

	South African operations			
	Insurance operations			Asset management
Restated Rm	SA Retail	Liberty Corporate	Other operations[1]	STANLIB South Africa
Net insurance premiums	19 789	5 055		
Investment returns	(2 970)	407	488	91
Revenue from contracts with customers[4]	74	16	62	1 240
Total income	16 893	5 478	550	1 331
(Loss)/profit before taxation	(3 832)	(97)	13	301
Taxation[3]	816	44	(94)	(75)
Total (loss)/earnings	(3 016)	(53)	(81)	226
Reconciliation of total earnings to headline (loss)/earnings attributable to shareholders				
Total (loss)/earnings	(3 016)	(53)	(81)	226
Attributable to non-controlling interests			582	
Impairment of intangible assets	37	65	23	
Preference share dividend			(1)	
Headline (loss)/earnings	(2 979)	12	523	226
Net income earned on BEE preference shares			2	
Reversal of the accounting mismatch arising on consolidation of L2D			88	
Normalised headline (loss)/earnings	(2 979)	12	613	226
Reconciliation of business operations (loss)/earnings to segment result				
South African Insurance Operations	326	231	(13)	
SA Retail	458			
Liberty Corporate		41		
Liberty Corporate – Fund rehabilitation			(13)	
LibFin Markets	(132)	190		
South African Asset Management				
STANLIB South Africa				226
Africa regions				
Liberty Africa Insurance				
Liberty Health				
STANLIB Africa				
Shareholder Investment Portfolio	(1 341)	(3)	713	
Group Strategic Initiatives			(94)	
Central costs and sundry income	(20)		7	
Establishment of COVID-19 pandemic reserve, net of taxation and non-controlling interests' share	(1 944)	(216)		
Normalised headline (loss)/earnings	(2 979)	12	613	226

(1) *Includes shareholders' equity, not allocated to the other operating segments, specifically invested to maximise the investment yield within the group's risk appetite and regulatory requirements and costs associated with the group's governance, investor relations, strategy co-ordination and certain corporate social investment and black economic empowerment activities.*

(2) *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund subsidiaries, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.*

(3) *IFRS requires both policyholder and shareholder taxation to be reported in the taxation line. This therefore distorts the effective tax charge relative to profit before taxation.*

(4) *Included in revenue from contracts with customers is R594 million related to service fee income from long-term policyholder investment contracts, R1 098 million of fee revenue and R75 million from reinsurance commission earned on insurance business.*

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the six months ended 30 June 2021

	Africa regions					
	Liberty Africa Insurance	Liberty Health	STANLIB Africa	Total	Reporting adjustments[2]	IFRS reported
	1 208	500		26 552	(8 416)	18 136
	109	11	(2)	(1 866)	1 212	(654)
	97	45	86	1 620	147	1 767
	1 414	556	84	26 306	(7 057)	19 249
	42	(53)	18	(3 608)	(461)	(4 069)
	(9)	(10)	(5)	667		667
	33	(63)	13	(2 941)	(461)	(3 402)
	33	(63)	13	(2 941)	(461)	(3 402)
	(27)		(1)	554	461	1 015
				125		125
				(1)		(1)
	6	(63)	12	(2 263)		(2 263)
				2		2
				88		88
	6	(63)	12	(2 173)		(2 173)

	Liberty Africa Insurance	Liberty Health	STANLIB Africa	Total
				544
				458
				41
				(13)
				58
				226
	21	(63)	12	(30)
	21			21
		(63)		(63)
			12	12
				(631)
				(94)
				(13)
	(15)			(2 175)
	6	(63)	12	(2 173)

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the six months ended 30 June 2021

The audited segment results for the year ended 31 December 2020 are as follows:

	South African operations			
	Insurance operations			Asset management
Rm	**SA Retail**	**Liberty Corporate**	**Other operations[1]**	**STANLIB South Africa**
Net insurance premiums	42 544	9 715		
Investment returns	15 555	4 305	1 445	78
Revenue from contracts with customers[4]	155	69	113	2 476
Total income	58 254	14 089	1 558	2 554
(Loss)/profit before taxation	(2 628)	(170)	249	619
Taxation[3]	(98)	47	(85)	(153)
Total (loss)/earnings	(2 726)	(123)	164	466
Reconciliation of total earnings to headline (loss)/earnings attributable to shareholders				
Total (loss)/earnings	(2 726)	(123)	164	466
Attributable to non-controlling interests			619	
Impairment of intangible assets	37	65	23	
Remeasurement of disposal groups held for sale				
Profit on sale of subsidiaries			(14)	
Preference share dividend			(2)	
Headline (loss)/earnings	(2 689)	(58)	790	466
Net income earned on BEE preference shares			4	
Reversal of the accounting mismatch arising on consolidation of L2D			(37)	
Normalised headline (loss)/earnings	(2 689)	(58)	757	466
Reconciliation of business operations (loss)/earnings to segment result				
South African Insurance Operations	446	319	(80)	
SA Retail	484			
Liberty Corporate		114		
Liberty Corporate – Fund rehabilitation			(80)	
LibFin Markets	(38)	205		
South African Asset Management				
STANLIB South Africa				466
Africa regions				
Liberty Africa Insurance				
Liberty Health				
STANLIB Africa				
Shareholder Investment Portfolio	(1 126)	(35)	1 188	
Group Strategic Initiatives			(307)	
Central costs and sundry income	(63)		(44)	
Excess risk claims not covered by the pandemic reserve, net of taxation and non-controlling interests' share		(76)		
Establishment of COVID-19 pandemic reserve, net of taxation and non-controlling interests' share	(1 946)	(266)		
Normalised headline (loss)/earnings	(2 689)	(58)	757	466

(1) *Includes shareholders' equity, not allocated to the other operating segments, specifically invested to maximise the investment yield within the group's risk appetite and regulatory requirements and costs associated with the group's governance, investor relations, strategy co-ordination and certain corporate social investment and black economic empowerment activities.*

(2) *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund subsidiaries, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.*

(3) *IFRS requires both policyholder and shareholder taxation to be reported in the taxation line. This therefore distorts the effective tax charge relative to profit before taxation.*

(4) *Included in revenue from contracts with customers is R1 211 million related to service fee income from long-term policyholder investment contracts, R2 048 million of fee revenue and R141 million from reinsurance commission earned on insurance business.*

SUMMARY CONSOLIDATED SEGMENT INFORMATION (CONTINUED)

for the six months ended 30 June 2021

Africa regions					
Liberty Africa Insurance	Liberty Health	STANLIB Africa	Total	Reporting adjustments[2]	IFRS reported
2 321	950		55 530	(16 328)	39 202
507	45	4	21 939	1 502	23 441
168	66	148	3 195	205	3 400
2 996	1 061	152	80 664	(14 621)	66 043
170	(47)	41	(1 766)	(453)	(2 219)
(83)	(20)	(11)	(403)		(403)
87	(67)	30	(2 169)	(453)	(2 622)
87	(67)	30	(2 169)	(453)	(2 622)
(60)		(3)	556	453	1 009
			125		125
(3)	(32)		(35)		(35)
			(14)		(14)
			(2)		(2)
24	(99)	27	(1 539)		(1 539)
			4		4
			(37)		(37)
24	(99)	27	(1 572)		(1 572)
			685		
			484		
			114		
			(80)		
			167		
			466		
59	(99)	27	(13)		
59			59		
	(99)		(99)		
		27	27		
			27		
			(307)		
			(107)		
(20)			(96)		
(15)			(2 227)		
24	(99)	27	(1 572)		

GROUP EQUITY VALUE REPORT

for the six months ended 30 June 2021

1. Introduction

Liberty presents a group equity value report to reflect the combined value of the various components of Liberty's businesses.

Section 2 below describes the valuation bases used for each reported component. It should be noted that the group equity value is presented to provide additional information to shareholders to assess performance of the group. The total equity value is not intended to be a fair value calculation of the group but should provide indicative information of the inherent value of the component parts.

2. Component parts of the group equity value and valuation techniques used

Group equity value has been calculated as the sum of the following component parts:

2.1 South African (SA) covered business

The wholly-owned subsidiary, Liberty Group Limited, comprises the South African long-term insurance entities and related asset holding entities. The embedded value methodology in terms of Advisory Practice Note 107 issued by the Actuarial Society of South Africa continues to be used to derive the value of this business cluster described as "South African covered business". The embedded value report of the South African covered business has been reviewed by the group's Head of Actuarial Function. The full embedded value report is included in the supplementary information section.

2.2 Other businesses

STANLIB South Africa	Valued using a 10 times (2020: 10 times) multiple of estimated sustainable earnings.
STANLIB Africa	A 10 times (2020: 10 times) multiple of estimated sustainable earnings, adjusted for country risk.
Liberty Health operations	In light of the ongoing sub-optimal operations, the IFRS net asset value has been used.
Liberty Africa Insurance	Liberty Africa Insurance is a cluster of both long- and short-term insurance businesses located in various African countries outside of South Africa. A combination of valuation techniques including embedded value, discounted cash flow and earnings multiples have been applied to value these businesses. The combined value of this cluster is not material relative to the other components of group equity value and therefore a detailed analysis of this valuation has not been presented. At 30 June 2021 the combined valuations were approximately equal to the cluster's IFRS net asset value. Therefore the IFRS net asset value was used.
Liberty Holdings	The net market value of assets and liabilities held by the Liberty Holdings Limited company excluding investments in any subsidiaries which are valued separately.

2.3 Liberty Two Degrees (L2D) normalisation adjustment

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 units multiplied by the number of units 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.

2.4 Other adjustments

These comprise the fair value of share rights allocated to staff not employed by the South African covered businesses, adjusting certain deferred tax assets to current values and allowance for certain shareholder recurring expenses incurred in Liberty Holdings Limited capitalised at a multiple of 9 times (2020: 9 times).

3. Normalised group equity value

3.1 Analysis of normalised group equity value

	Unaudited 30 June 2021		
Rm	**SA covered business**	**Other businesses**	**Total**
Liberty Group Limited consolidated	15 510		15 510
STANLIB South Africa[1]		1 066	1 066
STANLIB Africa[1]		116	116
Liberty Health		336	336
Liberty Africa Insurance		963	963
Liberty Holdings		2 118	2 118
Operations under ownership review[2]		62	62
Liberty Two Degrees adjustment to net asset value[3]	1 037	15	1 052
Shareholders' equity reported under IFRS	16 547	4 676	21 223
Reverse deferred acquisition cost and deferred revenue liability	(291)		(291)
Frank Financial Services allowance for future expenses	(50)		(50)
BEE preference shares	64		64
Liberty Two Degrees adjustment[3]	(1 037)	(15)	(1 052)
Allowance for employee share rights	(144)	(40)	(184)
Normalised net worth	15 089	4 621	19 710
Value of in-force – SA Retail	15 865		15 865
Value of in-force – Liberty Corporate	2 306		2 306
Cost of required capital	(3 574)		(3 574)
Fair value adjustment – STANLIB South Africa[1]		3 234	3 234
Fair value adjustment – STANLIB Africa[1]		154	154
Allowance for future shareholder expenses		(1 448)	(1 448)
Normalised equity value	29 686	6 561	36 247

[1] **STANLIB valuation (Rm)**	**30 June 2021**	**31 December 2020**	**Change**
STANLIB South Africa	4 300	4 300	
Net asset value	1 066	1 012	54
Fair value adjustment	3 234	3 288	(54)
STANLIB Africa	270	270	
Net asset value	116	111	5
Fair value adjustment	154	159	(5)
Total	4 570	4 570	

[2] *Under IFRS these are disclosed as disposal groups classified as held for sale.*

[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.*

3. Normalised group equity value (continued)

3.1 Analysis of normalised group equity value (continued)

	Unaudited 30 June 2020			Audited 12 months 31 December 2020		
Rm	SA covered business	Other businesses	Total	SA covered business	Other businesses	Total
Liberty Group Limited consolidated	14 901		14 901	15 165		15 165
STANLIB South Africa		934	934		1 012	1 012
STANLIB Africa		126	126		111	111
Liberty Health		391	391		433	433
Liberty Africa Insurance		1 065	1 065		959	959
Liberty Holdings		2 140	2 140		1 951	1 951
Operations under ownership review[1]		42	42		69	69
Liberty Two Degrees adjustment to net asset value[2]	854	14	868	1 294	19	1 313
Shareholders' equity reported under IFRS	15 755	4 712	20 467	16 459	4 554	21 013
Reverse deferred acquisition cost and deferred revenue liability	(314)		(314)	(307)		(307)
Frank Financial Services allowance for future expenses	(50)		(50)	(50)		(50)
BEE preference shares	63		63	64		64
Liberty Two Degrees adjustment[2]	(854)	(14)	(868)	(1 294)	(19)	(1 313)
Allowance for employee share rights	(4)	(2)	(6)	(139)	(39)	(178)
Normalised net worth	14 596	4 696	19 292	14 733	4 496	19 229
Value of in-force – SA Retail	14 912		14 912	15 098		15 098
Value of in-force – Liberty Corporate	2 034		2 034	2 075		2 075
Cost of required capital	(3 021)		(3 021)	(3 242)		(3 242)
Fair value adjustment – STANLIB South Africa		3 366	3 366		3 288	3 288
Fair value adjustment – STANLIB Africa		174	174		159	159
Allowance for future shareholder expenses		(1 338)	(1 338)		(1 397)	(1 397)
Normalised equity value	28 521	6 898	35 419	28 664	6 546	35 210

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

(2) *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.*

3. Normalised group equity value (continued)

3.2 Normalised group equity value earnings/(loss) and value per share

	Unaudited 30 June 2021			Unaudited 30 June 2020			Audited 12 months 31 December 2020
Rm	SA covered business	Other businesses	Total	SA covered business	Other businesses	Total	Total
Normalised equity value at the end of the period	29 686	6 561	36 247	28 521	6 898	35 419	35 210
Equity value at the end of the period	30 659	6 576	37 235	29 312	6 912	36 224	36 459
Liberty Two Degrees adjustment[(1)]	(1 037)	(15)	(1 052)	(854)	(14)	(868)	(1 313)
BEE preference shares	64		64	63		63	64
Net share (subscriptions)/buy-backs		(24)	(24)		245	245	362
Funding of restricted share plan	(18)	18		26	(26)		
Intragroup dividends[(2)]				1 431	(1 431)		
Dividends paid		1	1		1 200	1 200	1 201
Normalised equity value at the beginning of the period	(28 664)	(6 546)	(35 210)	(34 359)	(6 548)	(40 907)	(40 907)
Equity value at the beginning of the period	(29 894)	(6 565)	(36 459)	(35 327)	(6 565)	(41 892)	(41 892)
Liberty Two Degrees adjustment[(1)]	1 294	19	1 313	1 046	17	1 063	1 063
BEE preference shares	(64)		(64)	(78)		(78)	(78)
Normalised equity value earnings/(loss)	1 004	10	1 014	(4 381)	338	(4 043)	(4 134)
Normalised return on group equity value (%)	7,1	0,3	5,8	(23,9)	11,0	(18,9)	(10,2)
Normalised number of shares ('000)			273 888			274 990	274 389
Number of shares in issue ('000)			263 405			263 062	263 211
Shares held for the employee restricted share scheme ('000)			4 360			5 211	4 556
Estimated shares on settlement of performance reward plan ('000)			964			594	1 463
Adjustment for BEE shares ('000)			5 159			6 123	5 159
Normalised group equity value per share (R)			132,34			128,80	128,32

(1) *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.*

(2) *Dividends paid by Liberty Group Limited to Liberty Holdings Limited.*

3. Normalised group equity value (continued)

3.3 Sources of normalised group equity value earnings/(loss)

	Unaudited 30 June 2021			Unaudited 30 June 2020			Audited 12 months 31 December 2020
Rm	**SA covered business**	**Other businesses**	**Total**	SA covered business	Other businesses	Total	Total
Value of new business written in the period	35	11	46	24		24	24
Expected return on value of in-force business	1 033		1 033	1 156		1 156	2 356
Variances/changes in operating assumptions	(395)		(395)	(566)		(566)	(1 518)
Operating experience variances	(460)		(460)	(531)		(531)	(861)
Operating assumption changes	51		51	4		4	(606)
Changes in modelling methodology	14		14	(39)		(39)	(51)
Development costs	(45)	(3)	(48)	(44)	(4)	(48)	(34)
COVID-19 pandemic reserve[1]	(133)	(16)	(149)	(2 988)	(15)	(3 003)	(3 304)
Liberty Holdings shareholder expenses[2]		(118)	(118)		(58)	(58)	(188)
Headline earnings of other businesses/intragroup transfers		171	171		196	196	433
Operational equity value profits/(loss)	495	45	540	(2 418)	119	(2 299)	(2 231)
Economic adjustments	514	36	550	(1 995)	256	(1 739)	(1 681)
Return on net worth	603	36	639	(736)	256	(480)	(775)
Investment variances	726		726	(2 082)		(2 082)	(1 960)
Change in economic assumptions	(815)		(815)	823		823	1 054
Change in fair value adjustments on value of other businesses[3]		(70)	(70)		(59)	(59)	(103)
Change in allowance for share rights	(5)	(1)	(6)	32	22	54	(119)
Group equity value earnings/(loss)	1 004	10	1 014	(4 381)	338	(4 043)	(4 134)

[1] *As outlined in the 'Update on key judgements and risks under the ongoing COVID-19 pandemic' section.*

[2] *This includes the actual shareholder expenses incurred by Liberty Holdings of R68 million (31 December 2020: R133 million, 30 June 2020: R61 million) plus the change in the allowance for future shareholder expenses over the period.*

[3] *The negative R70 million comprises the change in the fair value adjustment of negative R59 million and R11 million Liberty Africa Insurance value of new business offset.*

3. Normalised group equity value (continued)

3.4 Analysis of value of long-term insurance new business and margins

Rm (unless otherwise stated)	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 12 months 31 December 2020
South African covered business			
SA Retail	769	714	1 499
Traditional Life	669	613	1 310
Direct Channel	32	45	71
Credit Life	68	56	118
Liberty Corporate	42	32	74
Gross value of new business	811	746	1 573
Overhead acquisition (including underwriting) costs impact on value of new business	(724)	(656)	(1 411)
Cost of required capital	(52)	(66)	(138)
Net value of South African covered business	35	24	24
Present value of future expected premiums	18 541	14 998	33 322
Margin (%)	0,2	0,2	0,1
Liberty Africa Insurance			
Net value of new business	11	-	-
Present value of future expected premiums	517	547	1 068
Margin (%)	2,1	0,0	0,0
Total group net value of new business	46	24	24
Total group margin (%)	0,2	0,2	0,1

LONG-TERM INSURANCE NEW BUSINESS

for the six months ended 30 June 2021

Rm (Unaudited)	30 June 2021	30 June 2020	12 months 31 December 2020
Sources of insurance operations total new business by product type			
Retail	**14 954**	11 487	26 324
Single	**12 233**	9 354	21 803
Recurring	**2 721**	2 133	4 521
Institutional	**708**	701	1 373
Single	**413**	377	858
Recurring	**295**	324	515
Total new business	**15 662**	12 188	27 697
Single	**12 646**	9 731	22 661
Recurring	**3 016**	2 457	5 036
Insurance indexed new business	**4 281**	3 430	7 302
Sources of insurance indexed new business			
SA Retail	**3 857**	2 946	6 520
Liberty Corporate(2)	**245**	289	500
Liberty Africa Insurance(1)	**179**	195	282

(1) *Liberty owns less than 100% of certain entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

(2) *June 2020 includes R35 milion index premium from partner relationships that were materially exited in H2 2020.*

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

LONG-TERM INSURANCE NET CUSTOMER CASH FLOWS

for the six months ended 30 June 2021

Rm	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 12 months 31 December 2020
Net premiums by product type			
Retail	23 636	20 232	43 300
Single	12 361	9 279	21 633
Recurring	11 275	10 953	21 667
Institutional	5 175	5 456	10 600
Single	784	1 155	1 867
Recurring	4 391	4 301	8 733
Net premium income from insurance contracts and inflows from investment contracts	28 811	25 688	53 900
Single	13 145	10 434	23 500
Recurring	15 666	15 254	30 400
Net claims and policyholders benefits by product type			
Retail	(23 688)	(20 523)	(43 496)
Death and disability claims	(6 639)	(4 057)	(9 076)
Policy surrender and maturity claims	(12 946)	(12 778)	(26 668)
Annuity payments	(4 103)	(3 688)	(7 752)
Institutional	(7 128)	(6 227)	(13 801)
Death and disability claims	(1 874)	(1 217)	(2 592)
Scheme terminations and member withdrawals	(4 844)	(4 606)	(10 392)
Annuity payments	(410)	(404)	(817)
Net claims and policyholders' benefits	(30 816)	(26 750)	(57 297)
Long-term insurance net customer cash flows[1]			
Rm (Unaudited)			
Sources of insurance operations net cash flows:	(2 005)	(1 062)	(3 397)
SA Retail	(176)	(528)	(512)
Liberty Corporate	(2 052)	(823)	(3 451)
Liberty Africa Insurance[2]	223	289	566

[1] *This excludes net cash inflows attributed to the off-balance sheet Gateway LISP of R232 million (31 December 2020: outflows of R49 million, 30 June 2020: outflows of R22 million).*

[2] *Liberty owns less than 100% of certain entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

ASSETS UNDER MANAGEMENT[(1)]

as at 30 June 2021

Rbn (Unaudited)	30 June 2021	30 June 2020	31 December 2020
Managed by group business units	793	695	749
STANLIB South Africa	652	569	614
STANLIB Africa[(2)]	18	16	18
LibFin Markets	84	71	77
Other internal managers	39	39	40
Externally managed	30	30	27
Total assets under management[(3)]	823	725	776

(1) *Includes funds under administration.*
(2) *Liberty owns less than 100% of certain of the entities that make up STANLIB Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*
(3) *Included in total assets under management are the following LISP 30 June 2021 amounts:*

Unit trusts listed (Rbn)	STANLIB managed	Other managed	Total
STANLIB	46	98	144
Gateway	6	6	12

ASSET MANAGEMENT NET EXTERNAL CUSTOMER CASH FLOWS[(1)]

for the six months ended 30 June 2021

Rm (Unaudited)	30 June 2021	30 June 2020	12 months 31 December 2020
STANLIB South Africa			
Non-money market	9 724	3 384	16 522
Retail	5 164	3 307	11 051
Institutional	4 560	77	5 471
Money market	3 065	11 311	18 375
Retail	(1 542)	402	(457)
Institutional	4 607	10 909	18 832
Net South Africa cash inflows	12 789	14 695	34 897
STANLIB Africa[(2)]			
Non-money market	(310)	217	(1 990)
Retail	42	57	514
Institutional	(352)	160	(2 504)
Money market	(526)	164	132
Net Africa cash (outflows)/inflows	(836)	381	(1 858)
Net cash inflows from asset management	11 953	15 076	33 039

(1) *Cash flows exclude intergroup segregated life funds mandates.*
(2) *The 2020 STANLIB Africa cash flows represent the flows up to the date of the sale of the applicable asset management operations or transfer of mandates.*

SHORT-TERM INSURANCE INDICATORS
for the six months ended 30 June 2021

Rm	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 12 months 31 December 2020
Net premiums	732	864	1 630
Liberty Health – medical risk	435	500	950
Liberty Africa Insurance – motor, property, medical and other	297	364	680
Net claims	(476)	(534)	(1 027)
Liberty Health – medical risk	(328)	(378)	(727)
Liberty Africa Insurance – motor, property, medical and other	(148)	(156)	(300)
Net cash inflows from short-term insurance	256	330	603
Unaudited			
Claims loss ratio (%)			
Liberty Health	75	76	77
Liberty Africa Insurance	50	43	44

FAIR VALUE MEASUREMENT

for the six months ended 30 June 2021

Fair value hierarchy

1. Asset hierarchy

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

30 June 2021 Rm (Unaudited)	Level 1	Level 2	Level 3	Total
Equity instruments	101 933	13	229	102 175
Listed equities on the JSE or foreign exchanges	100 818			100 818
Unlisted equities		13	229	242
Scrip assets – listed equities on the JSE	1 115			1 115
Debt instruments	91 790	68 280	61	160 131
Listed preference shares on the JSE or foreign exchanges	145			145
Unlisted preference shares		103	61	164
Listed term deposits on BESA, JSE or foreign exchanges	85 687	12 579		98 266
Unlisted term deposits		55 598		55 598
Repurchase agreements and collateral assets	5 958			5 958
Mutual funds[1]	17 236	121 822	2 691	141 749
Property	6	2 569		2 575
Equity instruments	3 479	18 346	630	22 455
Interest-bearing instruments	1 025	30 226		31 251
Mixed asset classes	12 726	70 681	2 061	85 468
Investment policies		13	886	899
Derivative assets held for trading and for hedging		12 404		12 404
Equity instruments		670		670
Currency exchange instruments		484		484
Interest rate instruments		11 250		11 250
Policy loans receivable			580	580
Properties			30 653	30 653
Non-current assets classified as held for sale - properties			346	346
Collateral deposits receivable		3 450		3 450
Prepayments and other receivables held at fair value through profit or loss			4 251	4 251
Cash and cash equivalents held at fair value through profit or loss		13 035		13 035
Total assets subject to fair value hierarchy analysis	**210 959**	**219 017**	**39 697**	**469 673**
Other assets not subject to fair value hierarchy analysis:				
Intangible assets				549
Defined benefit pension fund employer surplus				85
Equipment				508
Right-of-use assets				436
Interest in joint venture – equity accounted				65
Interest in associates – equity accounted				9
Deferred taxation				203
Deferred acquisition costs				783
Long-term policyholder assets – insurance contracts				4 241
Reinsurance assets				3 492
Policy loans receivable				224
Prepayments other receivables held at amortised cost				839
Insurance contract receivables				2 345
Cash and cash equivalents held at amortised cost				2 553
Disposal group assets classified as held for sale				148
Total assets as per statement of financial position				**486 153**

[1] *Mutual funds are categorised into property, equity or interest-bearing instruments based on a minimum of 80% of the underlying asset composition of the fund by value being of a like category. In the event of "no one category meeting this threshold" it is classified as mixed assets classes.*

FAIR VALUE MEASUREMENT (CONTINUED)

for the six months ended 30 June 2021

Fair value hierarchy (continued)

1. Asset hierarchy (continued)

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

31 December 2020 Rm (Audited)	Level 1	Level 2	Level 3	Total
Equity instruments	98 791	13	4 285	103 089
Listed equities on the JSE or foreign exchanges	97 391			97 391
Unlisted equities		13	3 836	3 849
Scrip assets – listed equities on the JSE	1 400			1 400
Interests in joint ventures			449	449
Debt instruments	84 320	71 412	65	155 797
Listed preference shares on the JSE or foreign exchanges	135			135
Unlisted preference shares		97	65	162
Listed term deposits on BESA, JSE or foreign exchanges	76 968	13 840		90 808
Unlisted term deposits		57 475		57 475
Repurchase agreements and collateral assets	7 217			7 217
Mutual funds[1]	16 451	107 331	1 370	125 152
Property	6	1 005		1 011
Equity instruments	2 364	15 409	590	18 363
Interest-bearing instruments	997	27 625		28 622
Mixed asset classes	13 084	63 292	780	77 156
Investment policies		12	929	941
Derivative assets held for trading and for hedging		19 955		19 955
Equity instruments		1 086		1 086
Currency exchange instruments		236		236
Interest rate instruments		18 633		18 633
Policy loans receivable			581	581
Properties			30 823	30 823
Collateral deposits receivable		3 548		3 548
Prepayments and other receivables held at fair value through profit or loss			3 101	3 101
Cash and cash equivalents held at fair value through profit or loss		11 875		11 875
Total assets subject to fair value hierarchy analysis	199 562	214 146	41 154	454 862
Other assets not subject to fair value hierarchy analysis:				
Intangible assets				498
Defined benefit pension fund employer surplus				89
Equipment				548
Right-of-use assets				463
Interest in joint venture – equity accounted				61
Interest in associates – equity accounted				9
Deferred taxation				240
Deferred acquisition costs				784
Long-term policyholder assets – insurance contracts				5 050
Reinsurance assets				3 082
Policy loans receivable				230
Prepayments other receivables held at amortised cost				714
Insurance contract receivables				1 998
Cash and cash equivalents held at amortised cost				6 757
Disposal group assets classified as held for sale				213
Total assets as per statement of financial position				475 598

[1] *Mutual funds are categorised into property, equity or interest-bearing instruments based on a minimum of 80% of the underlying asset composition of the fund by value being of a like category. In the event of "no one category meeting this threshold" it is classified as mixed assets classes.*

Fair value hierarchy (continued)

2. Liability hierarchy

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

30 June 2021 Rm (Unaudited)	Level 1	Level 2	Level 3	Total
Policyholder long-term investment contract liabilities		112 846		112 846
Third-party financial liabilities arising on consolidation of mutual funds		65 084	104	65 188
Financial liabilities designated at fair value through profit or loss		7 222		7 222
Liabilities held for trading and for hedging		12 387		12 387
Repurchase agreements liabilities		5 993		5 993
Collateral deposits payable		2 445		2 445
Other payables at fair value through profit or loss			6 184	6 184
Total liabilities subject to fair value hierarchy analysis		**205 977**	**6 288**	**212 265**
Other liabilities not subject to fair value hierarchy analysis:				
Insurance contracts				218 461
Investment contracts with discretionary participation features				9 183
Reinsurance liabilities				198
Provisions				140
Deferred taxation				2 520
Deferred revenue				363
Short-term insurance liabilities				1 211
Financial liabilities at amortised cost				2 028
Lease liabilities				468
Employee benefits				1 129
Other payables at amortised cost				832
Insurance contract payables				8 731
Current taxation				283
Disposal group liabilities classified as held for sale				86
Total liabilities as per statement of financial position				**457 898**

Fair value hierarchy (continued)

2. Liability hierarchy (continued)

31 December 2020 Rm (Audited)	Level 1	Level 2	Level 3	Total
Policyholder long-term investment contract liabilities		106 954		106 954
Third-party financial liabilities arising on consolidation of mutual funds		59 327	2 178	61 505
Financial liabilities designated at fair value through profit or loss		7 408		7 408
Liabilities held for trading and for hedging		18 105		18 105
Repurchase agreements liabilities		7 258		7 258
Collateral deposits payable		4 254		4 254
Other payables at fair value through profit or loss			6 625	6 625
Total liabilities subject to fair value hierarchy analysis		203 306	8 803	212 109
Other liabilities not subject to fair value hierarchy analysis:				
Insurance contracts				208 904
Investment contracts with discretionary participation features				9 334
Reinsurance liabilities				206
Provisions				140
Deferred taxation				2 278
Deferred revenue				345
Short-term insurance liabilities				1 058
Financial liabilities at amortised cost				2 775
Lease liabilities				480
Employee benefits				1 341
Other payables at amortised cost				902
Insurance contract payables				7 427
Current taxation				210
Disposal group liabilities classified as held for sale				92
Total liabilities as per statement of financial position				447 601

Fair value hierarchy (continued)

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

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

30 June 2021 Rm (Unaudited)	Amortised cost	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost					
Policy loans receivable – net carrying value	224	208			208
Financial liabilities measured at amortised cost					
Loan facilities	2 028	2 023		2 023	
31 December 2020 Rm (Audited)					
Financial assets measured at amortised cost					
Policy loans receivable – net carrying value	230	214			214
Financial liabilities measured at amortised cost					
Loan facilities	2 775	2 767		2 767	

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 hierarchy (continued)

4. Reconciliation of level 3 assets and liabilities

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

30 June 2021 Rm (Unaudited)	Properties[5]	Financial instruments – equity and mutual funds	Financial instruments – debt	Financial instruments – policy loans receivable	Financial instruments – investment policies	Total
Balance at the beginning of the year, excluding prepayments and other receivables	30 823	5 655	65	581	929	38 053
Fair value adjustment recognised in profit or loss as part of investment gains[1]	202	565	(3)	20	(29)	755
Fair value adjustment for owner-occupied properties in other comprehensive income[1]	(48)					(48)
Derecognition of level 3 assets[3]		(3 013)				(3 013)
Additions	22	137		14		173
Disposals/repayments		(424)	(1)	(35)		(460)
Movements on third-party share of financial instruments in mutual funds					(14)	(14)
Balance at the end of the period, excluding prepayments and other receivables	30 999	2 920	61	580	886	35 446
Financial instruments - prepayments and other receivables[2]						4 251
Balance at the end of the period	30 999	2 920	61	580	886	39 697

Refer to the bottom of the 31 December 2020 table on the next page for note explanations.

Fair value hierarchy (continued)

4. Reconciliation of level 3 assets and liabilities (continued)

31 December 2020 Rm (Unaudited)	Properties	Financial instruments – equity and mutual funds	Financial instruments – debt	Financial instruments – policy loans receivable	Financial instruments – investment policies	Total
Balance at the beginning of the year, excluding prepayments and other receivables	36 642	5 180	189	665	901	43 577
Fair value adjustment recognised in profit or loss as part of investment gains(1)	(5 672)	(392)	(124)	49	57	(6 082)
Fair value adjustment for owner-occupied properties in other comprehensive income(1)	(84)					(84)
Derecognition of level 3 assets(3)		(1 946)				(1 946)
Additions(4)	307	3 241		56		3 604
Disposals/repayments	(370)	(428)		(189)		(987)
Movements on third-party share of financial instruments in mutual funds					(29)	(29)
Balance at the end of the year, excluding prepayments and other receivables	30 823	5 655	65	581	929	38 053
Financial instruments - prepayments and other receivables(2)						3 101
Balance at the end of the year	30 823	5 655	65	581	929	41 154

(1) *Included in the total fair value adjustments is a R272 million unrealised gain (31 December 2020: R6 332 million unrealised loss).*

(2) *No movement analysis is provided for prepayments and other receivables that are included as level 3 assets in the fair value hierarchy. These amounts are typically short term trade debtors and arise in the ordinary course of business. It is impracticable to separate the additions and disposals. As a result of the COVID-19 pandemic, a fair value loss of R7 million (31 December 2020: R639 million) was recognised against property debtors in 2021.*

(3) *During 2021, the group no longer met the IFRS 10 criteria for consolidation of the STANLIB Infrastructure Fund 2 and derecognised the previously recognised underlying joint ventures held by that fund. The STANLIB Infrastructure Fund 2 is now recognised as an interest in associate as at 30 June 2021. During 2020, the group no longer met the IFRS 10 criteria for consolidation of the STANLIB Infrastructure PE Fund 1 (renamed the STANLIB Infrastructure Fund 1) and de-recognised the previously recognised underlying joint ventures held by that fund. The STANLIB Infrastructure Fund 1 was recognised as an interest in associate as at 31 December 2020.*

(4) *During 2020 one of the mutual fund subsidiaries that the group consolidated (namely STANLIB Infrastructure Fund 2) made additional investments in various level 3 assets. In addition, third parties invested in Fund 2, which increased the corresponding third- party liabilities in level 3 liabilities.*

(5) *The property total of R30 999 million comprises R30 653 million as per the statement of financial position, as well as an amount of R346 million related to investment property and owner-occupied property that has been disclosed as non-current assets classified as held for sale.*

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

Rm	Unaudited 30 June 2021	Audited 12 months 31 December 2020
Balance at the beginning of the year	2 178	1 540
Derecognition of level 3 assets (1)	(2 059)	(1 393)
Additions (2)		2 059
Unrealised fair value adjustments on consolidated mutual funds	(15)	(28)
Balance at the end of the period/year	104	2 178

(1) *During 2020, the group no longer met the IFRS 10 criteria for consolidation of the STANLIB Infrastructure PE Fund 1 (renamed the STANLIB Infrastructure Fund 1) and de-recognised the previously recognised underlying joint ventures held by that fund. The STANLIB Infrastructure Fund 2 is no longer consolidated as at 30 June 2021 and the underlying joint ventures previously recognised have been de-recognised in 2021.*

(2) *During 2020 the STANLIB Infrastructure Fund 2 made additional investments in various level 3 assets. In addition, third parties invested in STANLIB Infrastructure Fund 2, which increased the corresponding third- party liabilities in level 3 liabilities.*

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 hierarchy (continued)

5. Sensitivity analysis of level 3 assets

5.1 Investment and owner-occupied property

Investment properties fair values were obtained from independent valuators who derived the values 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.

Fair values for owner-occupied properties not backing policyholder liabilities were internally determined at 30 June 2021 and 31 December 2020.

Investment and certain 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. Refer to the shareholder investment portfolio note in the section entitled "Update on key judgements and risks under the ongoing COVID-19 pandemic" for shareholder exposure.

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

		Change in exit capitalisation rate	
30 June 2021 Rm (Unaudited)	**Total**	**1% increase**	**1% decrease**
Properties below 7,3% capitalisation rate	**12 898**	**11 732**	**14 427**
Properties between 7,3% – 8,5% capitalisation rate	**14 902**	**13 741**	**16 414**
Properties between 8,6% – 10,0% capitalisation rate	**2 853**	**2 699**	**3 044**
Total[1]	**30 653**	**28 172**	**33 885**
31 December 2020 Rm (Audited)			
Properties below 7,3% capitalisation rate	16 039	14 546	18 056
Properties between 7,3% – 8,5% capitalisation rate	11 856	10 958	13 019
Properties between 8,6% – 10,0% capitalisation rate	2 928	2 739	3 162
Total	30 823	28 243	34 237

[1] *The property total of R30 653 million, excludes an amount of R346 million related to properties that have been disclosed as non-current assets classified as held for sale.*

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

		Change in discount rate	
30 June 2021 Rm (Unaudited)	**Total**	**1% increase**	**1% decrease**
Total properties	**30 653**	**29 400**	**31 987**
31 December 2020 Rm (Audited)			
Total properties	30 823	29 527	32 227

Fair value hierarchy (continued)

5. Sensitivity analysis of level 3 assets (continued)

5.2 Unobservable inputs included in valuations

30 June 2021 (Unaudited)	Rm	Exit cap rate	Discount rate	Excess vacancy rate	Rental growth	Expense growth
Office buildings (%)	539	8,50	13,25 - 13,50	1,0	0,0 - 4,75	5,0 - 6,0
Retail – super regional and regional (%)	24 900	7,0 - 8,0	11,0 - 12,0	0,0	(1,0) - 4,0	5,5 - 6,0
Retail – other (%)	2 366	7,75 - 8,25	11,75 - 13,25	1,0 - 1,5	(1,0) - 5,0	5,0 - 6,0
Hotel (%)	1 115	9,0	13,75 - 14,0			
Specialised (%)	702	8,25 - 10,0	12,5 - 14,75	0,0 - 1,0	(1,0) - 4,0	5,0 - 6,0
31 December 2020 (Audited)						
Office buildings (%)	727	8,25 - 9,75	13,25 - 14,0	0,5 - 1,0	0,0 - 4,75	5,0 - 6,0
Retail – super regional and regional (%)	24 628	6,5 - 7,75	10,5 - 11,0	0,5 - 2,0	(1,0) - 4,0	5,0 - 6,0
Retail – other (%)	2 211	7,75 - 8,25	11,75 - 13,25	1,0 - 1,5	(1,0) - 5,0	5,0 - 6,0
Hotel (%)	1 092	9,0	13,75 - 14,0			
Specialised (%)	940	8,25 - 10,0	13,5 - 14,75	0,0 - 1,0	(1,0) - 4,75	5,0 - 6,0

Inter-relationship between key unobservable inputs and fair value measurements:

The most significant impact on value is an adjustment on metrics whereby the estimated fair value would increase/decrease if:

- exit capitalisation rate was lower/(higher) and
- discount rate was lower/(higher);

Other inputs that impact the value positively (negatively) but are less significant are:

- vacancy and rent-free periods were shorter/(longer);
- expected market rental growth was higher/(lower); and
- expected expense growth was lower/(higher).

5.3 Financial instrument assets

	Unaudited 30 June 2021		Audited 31 December 2020	
	Rm	Discount rate %[1]	Rm	Discount rate %[1]
Equities and mutual funds				
Unlisted equities	229	15-18	3 836	14-17
Interests in joint venture			449	19
Mutual funds	2 691	11-18	1 370	11-17
Investment policies	886	12	929	12
Debt				
Unlisted preference shares	61	16	65	15
Policy loan receivables	580	9	581	9

[1] *For equities and mutual funds, these are implied discount rates.*

Fair value hierarchy (continued)

5. Sensitivity analysis of level 3 assets (continued)

5.3 Financial instrument assets (continued)

Analysis of the significant components of level 3 financial instrument assets

Included in the financial instruments in the table above are the following significant exposures to underlying assets and associated operations (the valuation of these investments makes use of the various methodologies illustrated in section 6):

Unlisted equities, interests in joint ventures and mutual funds:

South African renewable energy projects (solar and wind), R448 million (31 December 2020: R2 963 million), (Liberty Holdings ordinary shareholder net exposure 11% (31 December 2020: 13%)).

Key valuation inputs: GDP growth, Eskom electricity tariff outlook, risk discount rates.

Infrastructure projects throughout South Africa and Africa R1 096 million (31 December 2020: R705 million), (Liberty Holdings ordinary shareholder net exposure 41% (31 December 2020: 41%)).

Key valuation inputs: GDP growth, estimated project timing, contractual revenue details, risk discount rates.

South African toll road concessions R136 million (31 December 2020: R613 million) (Liberty Holdings ordinary shareholder net exposure 11% (31 December 2020: 13%)).

Key valuation inputs: GDP growth, consumer price inflation, risk discount rates.

South African grain silos R99 million (31 December 2020:R450 million) (Liberty Holdings ordinary shareholder net exposure 11% 931 December 2020: 13%)).

Key valuation inputs: GDP growth, grain yields, maintenance commitments, risk discount rates.

Investment policies:

R886 million (31 December 2020: R929 million (Liberty Holdings ordinary shareholder net exposure 20% (31 December 2020: 20%)).

The investment policies are exclusively issued life policy assets issued in the United States of America (USA) on domestic USA insured lives. Remaining policies are in total, less than 50 insured lives. Each policy is different, and valued uniquely, as it is issued against an individual insured life which has its own unique health status. The unobservable inputs for the life policy assets are various factors influencing the life expectancy of the individual lives. Consideration of industry mortality experience by the valuators has resulted in no adjustment for mortality to the valuation of the life policy assets at 30 June 2021.

The table below shows the net shareholder exposure to level 3 financial instrument assets and the profitability impact of changes in discount rates.

	Unaudited 30 June 2021			Audited 31 December 2020		
		Change in discount rate			Change in discount rate	
	Net shareholder exposure Rm	1% increase Rm	1% decrease Rm	Net shareholder exposure Rm	1% increase Rm	1% decrease Rm
After tax net impact to profit or loss and shareholder equity	1 483	(129)	144	1 455	(123)	136

FAIR VALUE MEASUREMENT (CONTINUED)

for the six months ended 30 June 2021

Fair value hierarchy (continued)

6. Group's valuation process

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

The fair value 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 estimated future cash flows and the liquidity and credit spreads applied to debt instruments. Changes in these assumptions could affect the reported fair value of the financial instruments.

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

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

6. Group's valuation process (continued)

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

INSTRUMENT	VALUATION BASIS/TECHNIQUES	MAIN ASSUMPTIONS
Investment and owner-occupied properties	DCF Profits method valuation (Sandton Convention Centre)	Price per square meter Exit capitalisation and discount rates (the more significant assumptions) Long-term net operating income margin Vacancies Market rental trends Economic outlook Location Hotel income trends/inflation based Rental and expense growth
	Sale price (if held for sale)	Not applicable
Unlisted equities and debt, including associates and joint ventures – measured at fair value	DCF/earnings multiple	Cost of capital Bond and interbank swap interest rate curves Consumer price index Gross domestic product If a property investment entity, then assumptions applied are as above under investment and owner-occupied property
	Net asset value	Not applicable
	Recent arm's-length transactions	Not applicable
Unlisted preference shares	DCF	Bond and interbank swap interest rate curves Agreement interest rate curves Issuer credit ratings Liquidity spreads
Unlisted term deposits and illiquid listed term deposits	DCF	Bond and interbank swap interest rate curves Issuer credit ratings Liquidity spreads
Mutual funds	Quoted put (exit) price provided by the fund manager, adjusted for liquidity	Notice periods and estimated repayment – bond interest rate curves Liquidity spreads Price – not applicable
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

ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS UNDER IFRS 9

as at 30 June 2021

The table below reflects the classification of the group's financial assets and financial liabilities as at 30 June 2021 split into the IFRS 9 measurement categories. The financial assets categories have been determined based on the contractual cash flow characteristics and business model of the entity. Other measurement basis refers to equity accounting under IAS 28, or balances under IFRS 4.

	Fair value through profit or loss							
Rm (Unaudited)	**Held for trading and hedging**	**Desig-nated**	**Default**	**Fair value through other compre-hensive income**	**Total fair value**	**Amortised cost**	**Other measure-ment basis**	**Total per statement of financial position**
30 June 2021								
Financial assets								
Interests in joint ventures							65	65
Interests in associates			21 288		21 288		9	21 297
Financial investments		1 981	343 645	30 967	376 593			376 593
Loan receivables			580		580	224		804
Assets held for hedging and for trading	15 854				15 854			15 854
Repurchase agreements, scrip and collateral assets			7 073		7 073			7 073
Prepayments, insurance and other receivables			4 251		4 251	839	2 345	7 435
Cash and cash equivalents			13 035		13 035	2 553		15 588
Total	15 854	1 981	389 872	30 967	438 674	3 616	2 419	444 709
Financial liabilities								
Financial liabilities under investment contracts		112 846			112 846			112 846
Third-party financial liabilities arising on consolidation of mutual funds		65 188			65 188			65 188
Financial liabilities		7 222			7 222	2 028		9 250
Liabilities held for trading and for hedging	12 387				12 387			12 387
Repurchase agreements liabilities and collateral deposits payable		8 438			8 438			8 438
Insurance and other payables		6 184			6 184	832	8 731	15 747
Total	12 387	199 878			212 265	2 860	8 731	223 856

ACCOUNTING CLASSIFICATIONS OF FINANCIAL INSTRUMENTS UNDER IFRS 9 (CONTINUED)

as at 30 June 2021

Rm (Audited)	Fair value through profit or loss: Held for trading and hedging	Fair value through profit or loss: Desig-nated	Fair value through profit or loss: Default	Fair value through other compre-hensive income	Total fair value	Amortised cost	Other measure-ment basis	Total per statement of financial position
31 December 2020								
Financial assets								
Interests in joint ventures			449		449		61	510
Interests in associates			20 953		20 953		9	20 962
Financial investments		2 153	317 809	34 998	354 960			354 960
Loan receivables			581		581	230		811
Assets held for hedging and for trading	23 503				23 503			23 503
Repurchase agreements, scrip and collateral assets			8 617		8 617			8 617
Prepayments, insurance and other receivables			3 101		3 101	714	1 998	5 813
Cash and cash equivalents			11 875		11 875	6 757		18 632
Total	23 503	2 153	363 385	34 998	424 039	7 701	2 068	433 808
Financial liabilities								
Financial liabilities under investment contracts		106 954			106 954			106 954
Third-party financial liabilities arising on consolidation of mutual funds		61 505			61 505			61 505
Financial liabilities		7 408			7 408	2 775		10 183
Liabilities held for trading and for hedging	18 105				18 105			18 105
Repurchase agreements liabilities and collateral deposits payable		11 512			11 512			11 512
Insurance and other payables		6 625			6 625	902	7 427	14 954
Total	18 105	194 004			212 109	3 677	7 427	223 213

OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

as at 30 June 2021

The group does not have any financial assets or financial liabilities that are currently subject to offsetting in accordance with IAS 32 *Financial Instruments: Presentation*. The table below sets out the nature of agreements and the types of rights relating to items which do not qualify for offset but that are subject to a master netting arrangement (MNA) or similar agreement.

	NATURE OF AGREEMENT	RELATED RIGHTS
Derivative assets and liabilities	International swaps and derivatives agreements	The agreement allows for offset in the event of default
Repurchase agreements	Global master repurchase agreements	
Collateral deposits payable	Global master securities lending arrangements	

Rm (Unaudited)	**Total**	**Not subject to MNA or similar agreements**	**Subject to MNA or similar agreements**	**Financial collateral[1]**	**Net**
30 June 2021					
Assets					
Assets held for trading and for hedging	15 854	(523)	15 331	(11 941)	3 390
Total assets	15 854	(523)	15 331	(11 941)	3 390
Liabilities					
Liabilities held for trading and for hedging	12 387	(352)	12 035	(11 941)	94
Repurchase agreements liabilities	5 993		5 993	(5 958)	35
Collateral deposits payable	2 445		2 445	(2 445)	
Total liabilities	20 825	(352)	20 473	(20 344)	129

Rm (Unaudited)	Total	Not subject to MNA or similar agreements	Subject to MNA or similar agreements	Financial collateral[1]	Net
30 June 2020					
Assets					
Assets held for trading and for hedging	20 629	(1 246)	19 383	(15 684)	3 699
Total assets	20 629	(1 246)	19 383	(15 684)	3 699
Liabilities					
Liabilities held for trading and for hedging	16 113	(359)	15 754	(15 684)	70
Repurchase agreements liabilities	7 580		7 580	(7 471)	109
Collateral deposits payable	8 423		8 423	(8 423)	
Total liabilities	32 116	(359)	31 757	(31 578)	179

Rm (Audited)	Total	Not subject to MNA or similar agreements	Subject to MNA or similar agreements	Financial collateral[1]	Net
31 December 2020					
Assets					
Assets held for trading and for hedging	23 503	(241)	23 262	(17 849)	5 413
Total assets	23 503	(241)	23 262	(17 849)	5 413
Liabilities					
Liabilities held for trading and for hedging	18 105	(237)	17 868	(17 849)	19
Repurchase agreements liabilities	7 258		7 258	(7 203)	55
Collateral deposits payable	4 254		4 254	(4 254)	
Total liabilities	29 617	(237)	29 380	(29 306)	74

[1] *Financial collateral relates to those instruments that are subject to MNA or similar agreements.*

CAPITAL COMMITMENTS

as at 30 June 2021

Rm	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 12 months 31 December 2020
Equipment	238	193	370
Investment and owner-occupied property	1 083	961	1 322
Committed capital[1]	760	1 114	884
Total capital commitments	2 081	2 268	2 576
Under contracts	792	773	594
Authorised by the directors but not contracted	1 289	1 495	1 982

[1] *Liberty has committed capital to certain infrastructure and development funds through consolidated mutual fund subsidiaries. The committed funds are only drawn down when required.*

The above 2021 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds, R49 million (31 December 2020: R92 million, 30 June 2020: R40 million) from non-controlling interests in unincorporated property partnerships and R116 million (31 December 2020: R139 million, 30 June 2020: R107 million) from non-controlling interests in Liberty Two Degrees.

Throughout the group there are various low value item leases for computer equipment. The obligations outstanding at the various reporting dates are not material.

Other committed capital

In 2020 Liberty Group Limited entered into an agreement with an independent counterparty which will expire in 2028. In terms of the agreement, the counterparty will receive fees on a commercial basis from Liberty for defined asset management services. These fees over the contract period are subject to a minimum floor amount of R57.5 million per annum. The minimum amount has been met up to date.

Liberty Holdings intends to increase its current shareholding in Liberty Kenya Holdings Plc (Liberty Kenya) by acquiring a further 15,7% of Liberty Kenya's issued share capital. Agreements of purchase have been concluded, however they are subject to regulatory approvals.

Liberty Kenya remains a direct subsidiary of Liberty Holdings and after the acquisitions, Liberty Holdings shareholding will increase from 57,8% to 73,5%. The consideration agreed is a cash price of KES11 per ordinary share which equates to a total cash consideration of KES927 million or R126 million at 30 June 2021 exchange rates. The acquisition will be funded from Liberty Holdings cash resources and will not materially impact Liberty's earnings or net asset value.

RETIREMENT BENEFIT OBLIGATIONS

as at 30 June 2021

Unaudited

Defined benefit retirement fund

The group operates a defined benefit pension scheme on behalf of certain employees. The fund is closed to new membership and is well funded.

Post-retirement medical benefit

The group operates an unfunded post-retirement medical aid benefit for permanent employees who joined the group prior to 1 February 1999 and agency staff who joined the group prior to 1 March 2005. As at 30 June 2021, the Liberty post-retirement medical aid benefit liability was R477 million (31 December 2020: R440 million).

RELATED PARTIES

for the six months ended 30 June 2021

Unaudited

Standard Bank Group Limited and any subsidiary (excluding Liberty) is referred to as Standard Bank in the context of this section.

The following selected significant related party transactions have occurred in the 30 June 2021 financial period:

1. Summary of related party transactions with Standard Bank

1.1 Investment in ordinary shares held by the group in the group's holding company is as follows:

	Fair value Rm	Ownership %
Standard Bank Group Limited		
30 June 2020	1 721	1,03
31 December 2020	1 834	0,91
30 June 2021	**1 785**	**0,88**

1.2 Bancassurance

Liberty has extended the bancassurance business agreements with Standard Bank group for the manufacture, sale and promotion of insurance, investment and health products through the Standard Bank's African distribution capability. New business premium income in respect of this business for the six months ended 30 June 2021 amounted to R3 941 million (31 December 2020: R6 159 million, 30 June 2020: R2 716 million). In terms of the agreements, Liberty's group subsidiaries pay profit shares to various Standard Bank operations. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines. The total combined net profit share amounts accrued as payable to the Standard Bank group for the six months ended 30 June 2021 is R747 million (31 December 2020: R1 433 million, 30 June 2020: R745 million).

The bancassurance business agreements are evergreen agreements with a 24-month notice period for termination – as at the date of the approval of these financial statements, neither party had given notice.

1.3 Purchases and sales of financial instruments

As per Liberty's 2020 group annual financial statements, in the normal course of conducting business, Liberty deposits cash with Standard Bank, purchases and sells financial instruments issued by Standard Bank and enters into sale and repurchase agreements and derivative transactions with Standard Bank. These transactions are at arm's length and are primarily used to support investment portfolios for policyholders and shareholders' capital.

NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

as at 30 June 2021

The Total Health Trust Limited in Nigeria (part of Health risk solutions) business operation remains under a sale process at 30 June 2021.

During the reporting period, a conditional offer has been accepted for the disposal of a group owned property of R272 million, that previously was classified as partially owner occupied, with the remainder as investment property. The property has been reclassified to non-current assets held for sale and has been remeasured to the value of the conditional offer. In addition, investment properties in Kenya amounting to R74 million were reclassified to non-current assets held for sale.

Effective 31 January 2021, Liberty concluded the sale of its entire shareholding of Liberty General Botswana (Pty) Ltd, previously disclosed as a disposal group, for a purchase consideration of BWP6.7 million (R9 million). The sale was concluded at the net asset value of the entity as at 31 January 2021.

Based on the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities in these disposal groups were classified as held for sale. The assets and liabilities were disclosed as a separate single line item in the statement of financial position, rather than within the specific class of asset and liabilities, as required by IFRS 5. The disposal groups are measured at the lower of carrying amount and fair value less costs to sell, which led to various remeasurements, as set out below:

	Unaudited 30 June 2021			Unaudited 30 June 2020			Audited 31 December 2020		
Rm	**Gross**	**Fair value adjustment**	**Net**	Gross	Fair value adjustment	Net	Gross	Fair value adjustment	Net
Total assets classified as held for sale	494		494	259	(42)	217	213		213
Total liabilities classified as held for sale	(86)		(86)	(172)		(172)	(92)		(92)
Non-current assets and disposal groups classified as held for sale	408		408	87	(42)	45	121		121

The potential sales are not discontinued operations as defined under IFRS 5 as they are not disposals of separate major lines of business or geographical areas of operation. Profit or loss from cash-generating units within disposal groups have consequently not been separately identified in the statement of comprehensive income.

RESTATEMENT OF PRIOR YEAR COMPARATIVES

as at 30 June 2021

The decision to restate for the items below was taken after the publication of the interim results for 30 June 2020. Therefore the 30 June 2020 comparatives have been restated accordingly.

Change in policyholder contract classification

During 2020, the comprehensive review of the terms and conditions of all the group's policyholder contracts was finalised. This was done as part of the preparation work for adopting a new IFRS standard, namely IFRS 17 *Insurance Contracts* which is effective from 1 January 2023. The review highlighted that one legacy portfolio of linked life annuities (which has not been sold since 2002), contained a certain element of insurance risk within the contracts due to the guarantees on death and survival. The portfolio had, since the group's adoption of IFRS in 2005, been classified as an investment contract within the scope of IFRS 9 *Financial Instruments* (previously IAS 39 *Financial Instruments*) and a portion as investment contracts with DPF (under IFRS 4 *Insurance Contracts*). Application of the existing applicable IFRS 4 standard requires these contracts to be reclassified as insurance contracts. The change in valuation is immaterial and therefore the reclassification has not resulted in changes to the portfolio's liability measurement and the group's net asset value or prior reported earnings.

This is a closed book of business, with no premiums receivable and only claims (annuity payments) reflecting in the statement of comprehensive income.

The table below summarises the effect of the reclassification and required restatements to the group's financial position and comprehensive income statement.

	30 June 2020		
Rm	**As previously reported**	**Impact of change in presentation classification**	**Restated**
Statement of financial position line item			
Liabilities			
Long-term policyholder liabilities	315 852		315 852
Insurance contracts	199 847	875	200 722
Investment contracts with discretionary participation features	9 986	(26)	9 960
Financial liabilities under investment contracts	106 019	(849)	105 170

	30 June 2020		
Rm	**As previously reported**	**Impact of change in presentation classification**	**Restated**
Statement of comprehensive income line item			
Revenue from contracts with customers	1 773	(6)	1 767
Claims and policyholder benefits under insurance contracts	(18 851)	(81)	(18 932)
Change in long-term policyholder assets and liabilities	5 916	125	6 041
Liabilities under insurance contracts	6 420	127	6 547
Policyholder assets related to insurance contracts	(1 271)		(1 271)
Investment contracts with discretionary participation features	383	(2)	381
Applicable to reinsurers	384		384
Fair value adjustment to policyholder liabilities under investment contracts	474	(38)	436

Change in presentation of equipment and right-of-use assets

For noting, on the basis that the right-of-use asset was not material at 30 June 2020, equipment and right-of-use assets were combined into one line on the statement of financial position for the period ended 30 June 2020. Due to a change in the quantum of the right-of-use assets at 31 December 2020, the presentation has changed to disclose each of these lines separately.

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