



Clientèle

Clientèle Limited
(Registration number
2007/023806/06)
Share code: CLI
ISIN: ZAE000117438

CONDENSED UNAUDITED GROUP RESULTS

For the six months
ended 31 December 2016

Diluted headline
earnings per
share increased
by 10% to
66.45 cents

Net insurance
premiums
increased by 7% to
R924.7 million

Annualised return
on average
shareholders'
interest of 55%

Value of New
Business of
R246.7 million

Recurring
Embedded Value
Earnings of
R340.0 million

Annualised
Recurring Return
on Embedded
Value of 13.9%

Comments

Introduction

The ongoing challenging economic environment continues to negatively affect Clientèle Limited's ("Clientèle's") target market. New business volumes for the period, although slightly higher than the comparative period, were below expectation. This together with withdrawals which were higher than assumption have impacted the Clientèle Group ("The Group") results for the period. Investment markets continue to be characterised by volatility and poor returns.

Operating Results

Group Statement of Comprehensive Income

Net insurance premiums increased by 7% to R924.7 million driven by the prior periods' production and higher average premiums. Expenses, which increased by 5%, were well controlled, and this, together with the increase in net premium income contributed to diluted headline earnings per share increasing by 10% to 66.45 cents compared to 60.50 cents achieved for the same period last year.

Net insurance benefits and claims of R172.9 million (2015: R156.2 million) were 11% higher than the comparative period.

Investment returns of R35.5 million (2015: R13.4 million), although 165% higher than the comparative period's return and better than the return on the ALSI of negative 1.6% over this period were, nevertheless, disappointing.

Headline earnings for the Group increased by 9% to R222.2 million (2015: R203.1 million) which has resulted in an annualised return on average shareholders' interest of 55% (2015: 58%).

Group Embedded Value and Value of New Business

The higher withdrawals and subdued production have negatively impacted Recurring Embedded Value Earnings ("REVE") which reduced by 27% to R340.0 million (2015: R463.6 million). The Group Embedded Value ("EV") increased to R5.2 billion from R4.4 billion at 31 December 2015.

The Value of New Business ("VNB") has been negatively impacted by the factors referred to above which, offset to some extent by a reduction in the risk discount rate ("RDR"), has resulted in a decrease in VNB of 18% to R246.7 million (2015: R300.9 million).

New business profit margins have also declined to 19.2% (2015: 26.1%).

The Group follows a conservative accounting practice of eliminating negative reserves. As acquisition costs are expensed upfront, the recovery of these costs and the profits are deferred over the policy life. The present value of this discretionary margin amounts to R2.9 billion (2015: R2.5 billion).

These results should be viewed in the context of the RDR of 12.3% p.a., compared to 13.4% p.a. at December 2015, and 12.1% p.a. at June 2016. The RDR calculation is comprehensively explained in the Group EV results section of the results and a sensitivity analysis is also provided.

Segment Results

Clientèle Life – Long-term insurance

Clientèle Life's Long-term insurance segment remains the major contributor to the Group's performance. Its VNB accounts for 74% (2015: 77%) of the Group's VNB or R183.7 million (2015: R232.2 million), a decrease of 21% from the comparative period. It recorded REVE of R282.4 million (2015: R345.8 million) for the period, a decrease of 18%. The segment generated R191.8 million (2015: R175.1 million) net profit for the period, an increase of 10%.

Clientèle General Insurance (Clientèle Legal) – Short-term insurance

Clientèle Legal's VNB of R60.5 million (2015: R66.7 million) decreased by 9% mainly due to withdrawal experience which was higher than assumption for the period. The withdrawal experience also impacted its REVE of R60.2 million (2015: R116.6 million), a decrease of 48%. Nevertheless, net profit for the period increased to R30.0 million (2015: R25.1 million), an increase of 20% on the back of strong new business in prior periods.

Outlook

Management's immediate focus is on reducing withdrawals and increasing production volumes, with the aim of returning these to expected levels. The majority of the increase in withdrawals is due to an increase in spurious debit order disputes by policyholders. Clientèle is engaged in positive and constructive discussions with the Payments Association of South Africa ("PASA"), the Association for Savings and Investment South Africa ("ASISA") and individual Banks in this regard to achieve an outcome which is in the best interests of policyholders and Clientèle. Management has taken action and will continue to address the production volumes which are largely within Management's influence and control. The Board supports Management in this endeavour as they continue to focus on a deeper understanding of customer's needs, personal circumstances and behaviour, together with maintaining high customer service levels and the production of quality and sustainable business.

During the period Clientèle launched an agency distribution channel and a broker distribution channel and is encouraged by the progress to date.

The Group remains committed to providing products that are relevant and meet policyholder's needs and delivering these to the market conveniently and efficiently as well as creating and nurturing mutually beneficial partnerships with all its stakeholders that add value on a sustainable basis. The Board is convinced that there remain attractive opportunities for growth and value creation in the Group's target market.

By order of the Board

G Q Routledge

Chairman

B W Reekie

Managing Director

Sandton

20 February 2017

Condensed Group Statement of Comprehensive Income

(R'000's)	Six months ended 31 December		%	Audited
	2016 Actual	2015 Actual		Year ended 30 June 2016
Revenue				
Insurance premium revenue	989,545	921,408	7	1,852,516
Reinsurance premiums	(64,806)	(59,191)		(126,525)
Net insurance premiums	924,739	862,217	7	1,725,991
Other income	77,436	81,801		157,495
Interest income	19,287	8,370		21,209
Fair value adjustment to financial assets at fair value through profit or loss	35,500	13,381		120,916
Net income	1,056,962	965,769	9	2,025,611
Net insurance benefits and claims	(172,868)	(156,180)		(325,777)
Decrease in policyholder liabilities under insurance contracts	20,312	16,757		8,780
Decrease in reinsurance assets	(78)	(161)		(226)
Fair value adjustment to financial liabilities at fair value through profit or loss – investment contracts	(37,579)	(20,697)		(90,401)
Interest expense	(4,863)	(50)		(4,135)
Reversal of impairment	65	1,541		12,349
Operating expenses	(553,393)	(526,736)	5	(1,061,901)
Profit before tax	308,558	280,243	10	564,300
Tax	(86,161)	(76,617)		(149,579)
Net profit for the period	222,397	203,626	9	414,721
Attributable to:				
Non-controlling interest – ordinary shareholders	58	672		4,235
Equity holders of the Group – ordinary shareholders	222,339	202,954	10	410,486
Net profit for the period	222,397	203,626	9	414,721
Other comprehensive income:				
Gains on property revaluation [#]				8,727
Income tax relating to gains on property revaluation				(9,544)
Other comprehensive income for the period – net of tax	–	–		(817)
Total comprehensive income for the period	222,397	203,626	9	413,904
Attributable to:				
Non-controlling interest – ordinary shareholders	58	672		4,235
Equity holders of the Group – ordinary shareholders	222,339	202,954	10	409,669

[#] Items that cannot be recycled to profit or loss.

Condensed Group Statement of Financial Position

(R'000's)	31 December		Audited 30 June
	2016	2015	2016
Assets			
Intangible assets	37,238	26,897	36,435
Property and equipment	47,151	41,762	47,509
Owner-occupied properties [^]	410,752	392,139	408,651
Deferred tax	37,797	33,079	45,666
Inventories	2,080	1,999	1,148
Reinsurance assets	2,711	2,854	2,789
Financial assets held at fair value through profit or loss	1,611,044	1,841,809	1,854,928
Financial assets at amortised cost [†]	276,426	–	264,023
Loans and receivables including insurance receivables	40,935	52,181	44,396
Current tax	3,991	269	1,459
Cash and cash equivalents	255,389	244,159	209,848
Total assets	2,725,514	2,637,148	2,916,852
Total equity and reserves	761,835	650,819	865,548
Liabilities			
Policyholder liabilities under insurance contracts	669,789	682,125	690,102
Financial liabilities at fair value through profit or loss – investment contracts	882,048	905,300	909,819
Financial liabilities – loans at amortised cost [*]	113,076	93,999	98,932
Employee benefits	81,965	104,978	139,586
Deferred tax	35,904	25,574	38,977
Accruals and payables including insurance payables	174,178	160,473	168,469
Current tax	6,719	13,880	5,419
Total liabilities	1,963,679	1,986,329	2,051,304
Total equity and liabilities	2,725,514	2,637,148	2,916,852

[^] Owner-occupied properties are disclosed at level 3 in the fair value measurement hierarchy.

[†] Zero coupon fixed deposits held in African Bank Limited have been classified as financial assets at amortised cost. The fair value approximates amortised cost. In the prior year the assets were held at fair value through profit or loss and disclosed at level 3 in the fair value measurement hierarchy.

^{*} The increase in loans at amortised cost relates to financing of owner-occupied properties.

Tax

		Six months ended 31 December	Audited Year ended 30 June
(R'000's)	2016	2015	2016
Current and deferred tax	(85,420)	(74,666)	(146,708)
Capital gains tax	(741)	(1,951)	(2,400)
Underprovision in prior periods	–	–	(471)
Tax	(86,161)	(76,617)	(149,579)

The Individual Policyholder Fund has an estimated tax loss of R2.8 billion (2015: R2.9 billion)

Reconciliation of Net Profit to Headline Earnings

		Six months ended 31 December	% Change	Audited Year ended 30 June
(R'000's)	2016	2015		2016
Net profit for the period attributable to equity holders of the Group	222,339	202,954	10	410,486
(Less)/Add : (Profit)/Loss on disposal of property and equipment	(173)	108		81
Headline earnings for the period	222,166	203,062	9	410,567

Ratios per Share

		Six months ended 31 December	% Change	Audited Year ended 30 June
(Cents)	2016	2015		2016
Headline earnings per share	66.94	61.40	9	124.00
Diluted headline earnings per share	66.45	60.50	10	122.99
Earnings per share	67.00	61.36	9	123.98
Diluted earnings per share	66.50	60.47	10	122.97
Net asset value per share	229.38	196.58	17	260.86
Diluted net asset value per share	227.88	193.90	17	259.29
Dividends per share – paid	100.00	90.00	11	90.00
Dividends per share – declared	–	–		100.00
Ordinary shares in issue ('000)	332,122	331,075		331,806
Weighted average ordinary shares ('000)	331,870	330,739		331,093
Diluted average ordinary shares ('000)	334,320	335,644		333,809

Condensed Group Statement of Cash Flows

	Six months ended 31 December	Audited Year ended 30 June
(R'000's)	2016	2015
Cash flows from operating activities	53,131	71,363
Profit from operations adjusted for non-cash items	324,720	341,719
Working capital changes	(71,230)	(69,629)
Separately disclosable items ¹	(46,485)	(37,249)
Decrease in financial liabilities ²	(65,350)	(57,733)
Net disposal of investments ³	279,384	223,059
Interest received	38,377	30,072
Dividends received	8,108	7,177
Dividends paid	(331,796)	(297,707)
Tax paid	(82,597)	(68,346)
Cash flows from investing activities ⁴	(16,870)	(109,965)
Cash flows from financing activities ⁵	9,280	58,822
Net increase/(decrease) in cash and cash equivalents	45,541	20,220
Cash and cash equivalents at beginning of the period	209,848	223,939
Cash and cash equivalents at end of the period	255,389	209,848

1. Interest and dividends received.

2. Financial liabilities – investment contracts.

3. Investments in respect of insurance operations and investment contracts.

4. Mainly relates to the acquisition of intangible assets, property and equipment.

5. External funding for new office building development.

Notes to the Results

The results have not been reviewed or audited by the Group's auditors, PricewaterhouseCoopers Incorporated.

The change in policyholder liabilities has been based on best estimates after providing for compulsory and discretionary margins and has been reviewed by the Group's internal Statutory Actuary.

The Condensed Group Results were prepared under the supervision of Mr I B Hume (CA(SA), ACMA), the Group Financial Director.

Capital and Other Commitments

During the 2016 financial year Clientèle Limited provided financial assistance resulting in a net exposure through guarantees of R45 million for the purchase of approximately 3.92% of Clientèle's issued shares ("ordinary Shares") by Yellowwoods Trust Investments (Pty) Ltd ("YTI") a wholly owned subsidiary of the Hollard Foundation Trust, a BBBEE Trust.

During the current period Clientèle Limited provided further financial assistance through the issuance of a guarantee in the amount of R223 million (with a net unhedged exposure of R155 million) in respect of additional Ordinary Shares which YTI purchased or will purchase, the majority of which have already been purchased.

Related Party Transactions

Transactions between Clientèle Limited and its subsidiaries have been eliminated on consolidation. There were no material related party transactions during the period except for financial assistance provided to the Group's wholly-owned subsidiary, Clientèle Properties East in respect of the new office building development.

Financial Assets and Liabilities held at Fair Value through Profit or Loss – Fair Value Hierarchy Disclosure

The following table presents the Group's financial assets and liabilities that are measured at fair value through profit or loss at 31 December 2016:

(R'000's)	Level 1	Level 2	Level 3	Total
Assets				
Listed equity securities	495,431			495,431
Unlisted equity securities		3,850		3,850
Promissory notes and fixed deposits		520,106	153,206	673,312
Funds on deposit		329,841		329,841
Fixed interest securities		40,973	3,773	44,746
Government and public authority bonds		63,864		63,864
Total assets	495,431	958,634	156,979	1,611,044
Liabilities				
Financial liabilities at fair value through profit or loss		728,842	153,206	882,048
Total liabilities		728,842	153,206	882,048

Policyholders' linked exposure to African Bank Limited (ABL) through investments in zero coupon fixed deposits of R153.2 million as at 31 December 2016 are disclosed at level 3 on the fair value hierarchy as values are estimated indirectly using valuation techniques or models. Key inputs include the zero coupon risk free yield curve.

Accounting Policies

Statement of compliance

The condensed consolidated interim Financial Statements are prepared in accordance with the JSE Listings Requirements for interim reports and the requirements of the Companies Act, Act 71 of 2008, of South Africa. The Listings Requirements require interim reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and must also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the condensed consolidated interim Financial Statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual Financial Statements.

The preparation of the condensed consolidated interim Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. The reported amounts in respect of the Group's insurance contracts, employee benefits and unquoted financial instruments are affected by accounting policies and judgments.

There was no major impact due to changes in previous assumptions and estimates used in deriving the amounts referred to above, besides the impact on estimates affected by the increase in the valuation interest rate.

Segment Information

The Group's results are analysed across South Africa ("SA") – geographical segment.

The Group's main operating segments are Long-term insurance, Investment contracts, Short-term insurance and Other (which is predominantly Clientèle Loans Direct). The vast majority of policies written are in respect of individuals.

Segment Assets and Liabilities

(R'000's)	31 December		Audited 30 June
	2016	2015	2016
Assets			
Long-term insurance	1,640,388	1,569,160	1,791,430
Investment contracts	882,586	905,916	910,647
Short-term insurance	209,777	174,933	216,278
Other	4,229	12,694	6,749
Inter segment	(11,466)	(25,555)	(8,252)
Total Group Assets	2,725,514	2,637,148	2,916,852
Liabilities			
Long-term insurance	1,041,265	1,035,335	1,085,912
Investment contracts	882,048	905,300	909,819
Short-term insurance	51,572	50,456	60,852
Other	260	20,793	2,973
Inter segment	(11,466)	(25,555)	(8,252)
Total Group Liabilities	1,963,679	1,986,329	2,051,304

Segment Statements of Comprehensive Income

(R'000's)	Long-term insurance	Investment contracts	Short-term insurance	Other	Inter segment (revenue)/ expense	Group
31 December 2016						
Insurance premium revenue	819,777		169,768			989,545
Reinsurance premiums	(64,806)					(64,806)
Net insurance premiums	754,971		169,768			924,739
Other income	77,673	4,516	728	178	(5,659)	77,436
Interest income	18,567		578	142		19,287
Fair value adjustment to financial assets at fair value through profit or loss	(5,973)	37,579	3,894			35,500
Segment income	845,238	42,095	174,968	320	(5,659)	1,056,962
Segment expenses and claims	(578,939)	(41,534)	(133,538)	(52)	5,659	(748,404)
Net insurance benefits and claims	(152,789)		(20,079)			(172,868)
Decrease/(increase) in policyholder liabilities under insurance contracts	20,418		(106)			20,312
Decrease in reinsurance assets	(78)					(78)
Fair value adjustment to financial liabilities at fair value through profit or loss		(37,579)				(37,579)
Interest expense	(4,863)					(4,863)
Reversal of impairment of advances				65		65
Operating expenses	(441,627)	(3,955)	(113,353)	(117)	5,659	(553,393)
Profit before tax	266,299	561	41,430	268	–	308,558
Tax	(74,514)	(157)	(11,415)	(75)		(86,161)
Net profit for the period	191,785	404	30,015	193	–	222,397
Attributable to:						
Non-controlling interest – ordinary shareholders				58		58
Equity holders of the Group – ordinary shareholders	191,785	404	30,015	135	–	222,339

(R'000's)	Long-term insurance	Investment contracts	Short-term insurance	Other	Inter segment (revenue)/ expense	Group
31 December 2015						
Insurance premium revenue	774,783		146,625			921,408
Reinsurance premiums	(59,191)					(59,191)
Net insurance premiums	715,592		146,625			862,217
Other income	78,903	4,710	239	659	(2,710)	81,801
Interest income	6,805		679	2,153	(1,267)	8,370
Fair value adjustment to financial assets at fair value through profit or loss	(7,875)	20,697	559			13,381
Segment income	793,425	25,407	148,102	2,812	(3,977)	965,769
Segment expenses and claims	(551,333)	(23,633)	(113,968)	(569)	3,977	(685,526)
Net insurance benefits and claims	(140,879)		(15,301)			(156,180)
Decrease/(increase) in policyholder liabilities under insurance contracts	17,347		(590)			16,757
Decrease in reinsurance assets	(161)					(161)
Fair value adjustment to financial liabilities at fair value through profit or loss		(20,697)				(20,697)
Interest expense				(1,317)	1,267	(50)
Reversal of impairment of advances				1,541		1,541
Operating expenses	(427,640)	(2,936)	(98,077)	(793)	2,710	(526,736)
Profit before tax	242,092	1,774	34,134	2,243	–	280,243
Tax	(67,036)	(497)	(9,084)			(76,617)
Net profit for the period	175,056	1,277	25,050	2,243	–	203,626
Attributable to:						
Non-controlling interest						
– ordinary shareholders				672		672
Equity holders of the Group						
– ordinary shareholders	175,056	1,277	25,050	1,571	–	202,954

Condensed Group Statement of Changes in Equity

(R'000's)	Share capital	Share premium	Common control deficit	Sub-total
Balance as at 1 July 2015	6,613	310,185	(220,273)	96,525
Ordinary dividends				
Total comprehensive income				
– Net profit for the year				
Shares issued	9	7,859		7,868
SAR and Bonus Rights Schemes allocated				
Transfer from shares issued				
Balance as at 31 December 2015	6,622	318,044	(220,273)	104,393
Balance as at 1 January 2016	6,622	318,044	(220,273)	104,393
Total comprehensive income				
– Net profit for the period				
– Other comprehensive income/(expense)				
Shares issued	14	10,831		10,845
SAR and Bonus Rights Schemes allocated				
Transfer from shares issued				
Balance as at 30 June 2016	6,636	328,875	(220,273)	115,238
Balance as at 1 July 2016	6,636	328,875	(220,273)	115,238
Ordinary dividends				
Total comprehensive income				
– Net profit for the period				
Share issued	6	4,866		4,872
SAR and Bonus Rights Schemes allocated				
Transfer from shares issued				
Balance as at 31 December 2016	6,642	333,741	(220,273)	120,110

† SAR Scheme – the Clientèle Limited Share Appreciation Rights Scheme

† Bonus Rights Scheme – the Clientèle Limited Bonus Rights Scheme

† 0.3 million shares were issued during the period (2015: 0.4 million) in terms of the SAR and Bonus Rights Schemes

Retained earnings	SAR and Bonus Rights Schemes Reserve†	NDR: Revaluation	Sub-total	Non-controlling interest	Total
552,882	27,699	66,191	743,297	(3,102)	740,195
(297,759)			(297,759)		(297,759)
202,954			202,954	672	203,626
202,954			202,954	672	203,626
			7,868		7,868
	4,757		4,757		4,757
(5,959)	(1,909)		(7,868)		(7,868)
452,118	30,547	66,191	653,249	(2,430)	650,819
452,118	30,547	66,191	653,249	(2,430)	650,819
207,532		(817)	206,715	3,563	210,278
207,532		(817)	207,532	3,563	211,095
			(817)		(817)
			10,845		10,845
	4,451		4,451		4,451
(4,371)	(6,474)		(10,845)		(10,845)
655,279	28,524	65,374	864,415	1,133	865,548
655,279	28,524	65,374	864,415	1,133	865,548
(331,897)			(331,897)		(331,897)
222,339			222,339	58	222,397
222,339			222,339	58	222,397
			4,872		4,872
	5,787		5,787		5,787
(1,083)	(3,789)		(4,872)		(4,872)
544,638	30,522	65,374	760,644	1,191	761,835

Group Embedded Value results

Group Embedded Value

The Embedded Value ("EV") represents an estimate of the value of the Group, exclusive of goodwill attributable to future new business. The EV comprises:

- the Free Surplus; plus,
- the Required Capital identified to support the in-force business; plus,
- the Present Value of In-force ("PVIF") business; less,
- the Cost of Required Capital ("CoC").

The PVIF business is the present value of future after-tax profits arising from covered business in force as at 31 December 2016.

All material business written by the Group has been covered by EV Methodology as outlined in Advisory Practice Notice, APN 107 of the Actuarial Society of South Africa, including:

- All long-term insurance business regulated in terms of the Long-term Insurance Act, 1998;
- Legal insurance business where EV Methodology has been used to determine future shareholder entitlements;
- Annuity income arising from non-insurance contracts where EV Methodology has been used to determine future shareholder entitlements; and
- Loans business where EV Methodology has been used to determine future shareholder entitlements.

The EV calculation has been reviewed by the Group's internal Statutory Actuary. The EV can be summarised as follows:

(R'000's)	31 December		30 June
	2016	2015	2016
Required capital	398,587	360,151	377,076
Free surplus	366,709	274,756	495,969
Adjusted Net Worth ("ANW") of covered business	765,296	634,907	873,045
CoC	(87,375)	(85,433)	(83,190)
PVIF	4,517,220	3,811,118	4,440,788
EV of covered business	5,195,141	4,360,592	5,230,643

The ANW of covered business is defined as the excess value of all assets attributed to the covered business, but not required to back the liabilities of covered business. Free Surplus is the ANW less the Required Capital attributed to covered business.

Reconciliation of Total Equity to ANW

(R'000's)	31 December		30 June
	2016	2015	2016
Total equity and reserves per the Statement of Financial Position	761,835	650,819	865,548
Adjusted for Deferred Profits and impact of compulsory margins on investment business	13,988	12,179	11,820
Adjusted for minority interests	(1,190)	2,430	(1,133)
Adjusting subsidiaries to Net Asset Value	31,427	21,884	31,427
SAR and Bonus Rights Schemes adjustment	(40,764)	(52,405)	(34,617)
ANW	765,296	634,907	873,045

The CoC is the opportunity cost of having to hold the Required Capital of R398.6 million as at 31 December 2016 (30 June 2016: R377.1 million). The Required Capital has been set at the greater of the Statutory Termination Capital Adequacy Requirement and 1.25 times the Statutory Ordinary Capital Adequacy Requirement for the Life company plus the Required Statutory Capital for the Short-term company.

The SAR and Bonus Rights Schemes adjustment recognises the future dilution in EV, on a mark to market basis, as a result of the SAR and Bonus Rights Schemes.

Clientèle Life's Statutory Capital Adequacy Requirement (CAR) was calculated as the maximum of TCAR, OCAR and MCAR, with TCAR being the highest of the three.

Clientèle Life's Statutory CAR cover ratio at 31 December 2016 was 1.83 times (30 June 2016: 2.35 times) on the statutory valuation basis.

Clientèle General Insurance's Statutory CAR cover ratio at 31 December 2016 was 1.30 times (30 June 2016: 1.35 times) on the statutory valuation basis.

Value of New Business ("VNB")

(R'000's)	Six months ended 31 December		Year ended 30 June
	2016	2015	2016
Total VNB	246,718	300,934	660,328
Present Value of New Business premiums	1,287,930	1,154,695	2,488,674
New Business profit margin	19.2%	26.1%	26.5%

The VNB (excluding any allowance for the Management incentive schemes, which is shown as a separate component of EV earnings), represents the present value of projected after-tax profits at the point of sale on new covered business commencing during the period ended 31 December 2016, less the CoC pertaining to this business.

The New Business profit margin is the VNB expressed as a percentage of the present value of future premiums (and other annuity fee income) pertaining to the same business.

Long-term Economic Assumptions

(%)	31 December		30 June
	2016	2015	2016
Risk discount rate	12.3	13.4	12.1
Non-unit investment return	8.8	9.9	8.6
Unit investment return	9.9	10.7	9.8
Expense inflation	6.8	8.4	7.1
Corporate tax	28.0	28.0	28.0

The risk discount rate ("RDR") has been determined using a top-down weighted average cost of capital approach, with the equity return calculated using the Capital Asset Pricing Model ("CAPM") theory. In terms of current actuarial guidance, the RDR has been set as the risk free rate plus a beta multiplied by the assumed equity risk premium. It has been assumed that the equity risk premium (i.e. the long-term expected difference between equity returns and the risk free rate) is 3.5%. The beta pertaining to the Clientèle share price is relatively low, which is partially a consequence of the relatively small free-float of shares. After careful consideration, the Board has decided to continue to use a more conservative beta of 1, as opposed to its actual beta of 0.112, in the calculation of the RDR. The Board draws the reader's attention to the RDR sensitivity analysis in the next table, which allows for sensitivity comparisons using various alternative RDRs.

The resulting RDR utilised for the South African business as at 31 December 2016 was 12.3% p.a. (30 June 2016: 12.1% p.a.).

RDR Sensitivities

(R'000's)	EV	VNB
RDR 10.3%	5,949,086	314,124
RDR 11.3%	5,534,280	273,043
RDR 12.1% (as at June 2015)	5,251,075	252,337
RDR 12.3% (as at December 2016)	5,195,141	246,718
RDR 13.3%	4,890,830	220,460
RDR 13.4% (as at December 2015)	4,877,400	216,629
RDR 14.3%	4,635,423	198,616

EV per Share

(Cents)	31 December		30 June
	2016	2015	2016
EV per share	1,564.22	1,317.10	1,576.42
Diluted EV per share	1,552.77	1,297.88	1,563.62

Segment Information

The EV can be split between segments as follows:

(R'000's)	ANW	PVIF	CoC	EV
31 December 2016				
SA – Long-term insurance	608,082	3,676,180	(57,523)	4,226,739
SA – Short-term insurance	154,436	837,623	(29,852)	962,207
SA – Investment contracts	–	3,417	–	3,417
Other	2,778	–	–	2,778
Total	765,296	4,517,220	(87,375)	5,195,141
31 December 2015				
SA – Long-term insurance	519,645	3,130,063	(59,875)	3,589,833
SA – Short-term insurance	120,931	675,405	(25,558)	770,778
SA – Investment contracts	–	2,544	–	2,544
Other	(5,669)	3,106	–	(2,563)
Total	634,907	3,811,118	(85,433)	4,360,592
30 June 2016				
SA – Long-term insurance	717,911	3,626,886	(54,990)	4,289,807
SA – Short-term insurance	152,490	810,689	(28,200)	934,979
SA – Investment contracts	–	3,213	–	3,213
Other	2,644	–	–	2,644
Total	873,045	4,440,788	(83,190)	5,230,643

The VNB can be split between segments as follows:

(R'000's)	Six months ended 31 December		Year ended 30 June
	2016	2015	2016
SA – Long-term insurance	183,749	232,164	517,003
SA – Short-term insurance	60,471	66,666	138,545
SA – Investment contracts	2,138	1,784	3,090
Other	360	320	1,690
Total	246,718	300,934	660,328

Embedded Value Earnings Analysis

EV Earnings (per APN 107) comprises the change in EV for the period after adjusting for capital movements and dividends paid.

(R'000's)	Six months ended 31 December 2016				Six months ended 31 December 2015	Year ended 30 June 2016
	ANW	PVIF	CoC	EV		
Closing EV	765,296	4,517,220	(87,375)	5,195,141	4,360,592	5,230,643
Opening EV	873,045	4,440,788	(83,190)	5,230,643	4,601,300	4,601,300
Dividends	(331,897)	–	–	(331,897)	(297,759)	(297,759)
Adjusted opening EV	541,148	4,440,788	(83,190)	4,898,746	4,303,541	4,303,541
EV Earnings	224,148	76,432	(4,185)	296,395	57,052	927,102
Economic assumptions	(1,103)	46,452	(1,737)	43,612	406,524	75,384
Recurring EV Earnings	223,045	122,884	(5,922)	340,007	463,576	1,002,486
Recurring Return on EV				13.9%	21.5%	23.3%
Return on EV				12.1%	2.7%	21.5%
Components of EV earnings						
VNB	(229,613)	481,704	(5,373)	246,718	300,934	660,328
Expected return on covered business	–	263,740	1,995	265,735	243,277	498,133
Expected profit transfer	449,988	(449,988)	–	–	–	–
Withdrawal and unpaid premiums experience variance	2,612	(83,910)	(594)	(81,892)	5,284	(50,393)
Claims and reinsurance experience variance	338	–	–	338	(1,405)	(5,499)
Sundry experience variance	1,815	841	–	2,656	21,412	5,076
Change in modelling/basis and non-economic assumptions	4,585	(104,128)	(1,806)	(101,349)	(83,604)	(132,366)
Expected return on ANW	29,355	–	–	29,355	22,567	47,899
SAR and Bonus Rights Schemes	(360)	–	–	(360)	6,047	28,286
Goodwill and Medium-term incentive schemes	(10,127)	21,947	–	11,820	(29,630)	(20,730)
Benefit enhancements	(156)	(7,322)	(144)	(7,622)	–	–
EV operating return	248,437	122,884	(5,922)	365,399	484,882	1,030,734
Investment variance	(25,392)	–	–	(25,392)	(21,306)	28,248
Recurring EV Earnings	223,045	122,884	(5,922)	340,007	463,576	1,002,486
Effect of economic assumption changes	1,103	(46,452)	1,737	(43,612)	(406,524)	(75,384)
EV Earnings	224,148	76,432	(4,185)	296,395	57,052	927,102



Clientèle Limited

(Registration number 2007/023806/06)
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