



# Clientèle

Net insurance premiums increased by 13% to R1.7 billion

Diluted headline earnings per share increased by 14% to 122.99 cents

Return on average shareholders' interest of 55%

Dividend declared per share increased by 11% to 100 cents

## Condensed Preliminary Group results for the year ended 30 June 2016

### Comments

#### Introduction

The current challenging economic environment, with flat GDP growth in 2016, continues to negatively affect Clientèle's target market. Marginally lower new business volumes for the year and higher withdrawals than expected in the second half of the year, have impacted the Clientèle Group ("The Group") results for the year. At the same time investment markets have been, and continue to be, characterised by volatility and poor returns. The increase in the risk discount rate ("RDR") since June 2015 has also negatively impacted the Group Embedded Value ("EV") results. Taking into account these factors, the Board is satisfied with the results that the Group has managed to achieve this year.

#### Operating Results

##### Group Statement of Comprehensive Income

Net insurance premiums increased by 13% to R1.7 billion, on the back of the production of good quality business in recent years and higher average premiums on new business, with a consequent diluted headline earnings per share increase of 14% on last year.

Net insurance benefits and claims of R325.8 million (2015: R300.5 million) were 8% higher than the previous year.

Investment returns of R120.9 million (2015: R154.9 million) were 22% down on last year but were nevertheless better than the return on the ALSI.

Headline earnings for the Group increased by 14% to R410.6 million (2015: R360.6 million) which has resulted in a return on average shareholders' interest of 55% (2015: 56%).

The dividend declared per share increased by 11% to 100.00 cents (2015: 90.00 cents).

##### Group Embedded Value and Value of New Business

The higher withdrawals and an increase in reinsurance rates together with an

increase in the RDR negatively impacted our increase in Group EV which nevertheless increased from R4.6 billion to R5.2 billion. Recurring Embedded Value Earnings ("REVE") were also impacted and reduced by 9% to R1 billion (2015: R1.1 billion).

The Value of New Business ("VNB") has been negatively impacted by the increase in the RDR to 12.1% (2015: 11.8%) and this, together with the factors referred to above have resulted in a decrease in VNB of 8% to R660.3 million (2015: a record R717.6 million).

New business profit margins have declined to 26.5% (2015: 28.9%).

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 R2.8 billion (2015: R2.5 billion).

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. It accounts for 78% (2015: 84%) or R517.0 million (2015: R602.3 million) of the Group's R660.3 million (2015: R717.6 million) VNB and recorded REVE of R763.3 million (2015: R911.4 million) for the year. The segment generated R342.5 million (2015: R303.6 million) net profit for the year, an increase of 13%.

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

Clientèle Legal's VNB of R138.5 million (2015: R111.4 million) increased by 24% due to good quality new business volumes for most of the year. Clientèle Legal recorded REVE of R232.4 million (2015: R184.4 million), a commendable increase of 26%, and generated an 18% increase in net profit for the year to R55.6 million (2015: R47.0 million).

#### Clientèle Loans Direct

The entire Clientèle Loans Direct (Pty) Ltd ("CLD") book consisting of all advances written up to 15 February 2013 has been sold and has resulted in a reversal of previous impairments.

Advances subsequent to 16 February 2013 were concluded by way of a Profit Sharing Arrangement ("PSA") with WesBank (a division of FirstRand Bank Limited) and Direct Axis (SA) (Pty) Ltd. These unsecured personal loans on WesBank's statement of financial position and Clientèle will share in profits when the PSA is in a cumulative net profit position.

#### Outlook

Management's immediate focus is on managing the recent increase in withdrawals with the aim of returning these to expected levels. The Board is solidly behind Management in this endeavour and will continue to focus on a deeper understanding of customer needs and behaviour, customer service and the production of quality and sustainable business.

The Group is 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 remains convinced that there are attractive opportunities for growth and value creation in the Group's target market.

#### Dividend Declared

Notice is hereby given that the Directors have declared a final gross dividend of 100.00 cents (2015: 90.00 cents) per share on 11 August 2016 for the year ended 30 June 2016.

The Board confirms that the Group will satisfy the solvency and liquidity tests immediately after completion of the dividend distribution. The dividend will be subject to dividends tax. In accordance with the JSE Listings Requirements,

the following additional information is disclosed:

- The dividend has been declared out of income reserves;
- The local dividends tax rate is 15% (fifteen percent);
- The gross local dividend amount is 100.00 cents (2015: 90.00 cents) per ordinary share for shareholders exempt from the dividends tax;
- The net local dividend amount is 85.00 cents (2015: 76.50 cents) per ordinary share for shareholders liable to pay the dividends tax;
- The local dividends tax amount is 15.00 cents (2015: 13.50 cents) per ordinary share for shareholders liable to pay the dividend withholding tax;
- Clientèle Limited currently has 331,805,999 (2015: 330,629,599) ordinary shares in issue.

Clientèle Limited's income tax reference number is 9465071166.

In compliance with the requirements of Strate Limited, the electronic settlement and custody system used by the JSE Limited, the following salient dates for the payment of the dividend are applicable:

Last day to trade	Tuesday, 13 September 2016
Shares commence trading "ex" dividend	Wednesday, 14 September 2016
Record date	Friday, 16 September 2016
Payment date	Monday, 19 September 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 14 September 2016 and Friday, 16 September 2016, both days inclusive.

By order of the Board

G Q Routledge  
Chairman  
Johannesburg  
15 August 2016

B W Reekie  
Managing Director  
Johannesburg  
15 August 2016

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#### Condensed Group Statement of Comprehensive Income

(R'000's)	Year ended 30 June		% Change
	2016	2015	
<b>Revenue</b>			
Insurance premium revenue	1,852,516	1,641,189	13
Reinsurance premiums	(126,525)	(114,001)	
<b>Net insurance premiums</b>	<b>1,725,991</b>	<b>1,527,188</b>	<b>13</b>
Other income	157,495	170,652	
Interest income	21,209	22,759	
Fair value adjustment to financial assets at fair value through profit or loss	120,916	154,889	(22)
<b>Net income</b>	<b>2,025,611</b>	<b>1,875,488</b>	<b>8</b>
Net insurance benefits and claims	(325,777)	(300,499)	
Decrease in policyholder liabilities under insurance contracts	8,780	5,042	
Decrease in reinsurance assets	(226)	(227)	
Fair value adjustment to financial liabilities at fair value through profit or loss	(90,401)	(72,275)	25
– investment contracts	(4,135)	(2,752)	
Interest expense	12,349	(12,380)	
Reversal of impairment/(impairment of advances)	(1,061,901)	(990,505)	7
Operating expenses	564,300	501,892	12
Tax	(149,579)	(137,501)	9
<b>Net profit for the year</b>	<b>414,721</b>	<b>364,391</b>	<b>14</b>
<b>Attributable to:</b>			
– Non-controlling interest – ordinary shareholders	4,235	2,748	
<b>Equity holders of the Group – ordinary shareholders</b>	<b>410,486</b>	<b>361,643</b>	<b>14</b>
<b>Net profit for the year</b>	<b>414,721</b>	<b>364,391</b>	<b>14</b>
<b>Other comprehensive income:</b>			
Gains on property revaluation <sup>1</sup>	8,727	6,711	
Income tax relating to gains on property revaluation <sup>2</sup>	(9,544)*	(1,742)	
<b>Other comprehensive income for the year – net of tax</b>	<b>(817)</b>	<b>4,969</b>	
<b>Total comprehensive income for the year</b>	<b>413,904</b>	<b>369,360</b>	<b>12</b>
<b>Attributable to:</b>			
– Non-controlling interest – ordinary shareholders	4,235	2,748	
<b>Equity holders of the Group – ordinary shareholders</b>	<b>409,669</b>	<b>366,612</b>	<b>12</b>

\* Items that cannot be recycled to profit or loss  
<sup>1</sup> The increase is primarily in respect of the difference in accounting and tax treatment of the new office development

#### Condensed Group Statement of Financial Position

(R'000's)	Year ended 30 June	
	2016	2015
<b>Assets</b>		
Intangible assets	36,435	27,088
Property and equipment	47,509	26,487
Owner-occupied properties <sup>1</sup>	408,651	308,715
Deferred tax	45,666	31,395
Inventories	1,148	1,484
Reinsurance assets	2,789	3,015
Financial assets at fair value through profit or loss	1,854,928	2,051,487
Financial assets at amortised cost <sup>1</sup>	284,023	
Loans and receivables including insurance receivables	44,396	76,138
Current tax	1,459	5,258
Cash and cash equivalents	209,848	223,939
<b>Total assets</b>	<b>2,916,852</b>	<b>2,755,006</b>
<b>Total equity and reserves</b>	<b>865,548</b>	<b>740,195</b>
<b>Liabilities</b>		
Policyholder liabilities under insurance contracts	690,102	698,882
Financial liabilities at fair value through profit or loss – investment contracts	909,819	942,336
Financial liabilities – loans at amortised cost <sup>2</sup>	98,932	35,177
Employee benefits	139,586	122,308
Deferred tax	38,977	30,071
Accruals and payables including insurance payables	168,469	181,620
Current tax	5,419	4,417
<b>Total liabilities</b>	<b>2,051,304</b>	<b>2,014,811</b>
<b>Total equity and liabilities</b>	<b>2,916,852</b>	<b>2,755,006</b>

<sup>1</sup> Owner-occupied properties are disclosed at level 3 in the fair value measurement hierarchy  
<sup>2</sup> Zero coupon fixed deposits held in African Bank Limited ("Old Bank") were exchanged for new fixed deposits in new ABL ("Good Bank") on 04 April 2016 (restructuring date). These 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  
<sup>3</sup> The increase in loans at amortised cost relates to financing of owner-occupied property

#### Tax

(R'000's)	Year ended 30 June	
	2016	2015
Current and deferred tax	(146,708)	(129,301)
Capital gains tax	(2,400)	(5,811)
Underprovision in prior years	(471)	(2,389)
<b>Tax</b>	<b>(149,579)</b>	<b>(137,501)</b>

The individual Policyholder Fund has an estimated tax loss of R2.8 billion (2015: R2.7 billion)

#### Reconciliation of Net Profit to Headline Earnings

(R'000's)	Year ended 30 June		% Change
	2016	2015	
Net profit for the year attributable to equity holders of the Group	410,486	361,643	14
Add/(Less): Loss/(Profit) of disposal of property and equipment	81	(282)	
Add: Impairment of intangible assets	1,234		
Less: Taxation effects on loan write-off	(2,037)		
<b>Headline earnings for the year</b>	<b>410,567</b>	<b>360,558</b>	<b>14</b>
<b>Ratios per Share</b>			
(Cents)	Year ended 30 June	2015	% Change
<b>Headline earnings per share</b>	<b>124.00</b>	<b>109.33</b>	<b>13</b>
<b>Diluted headline earnings per share</b>	<b>122.99</b>	<b>107.67</b>	<b>14</b>
<b>Earnings per share</b>	<b>123.98</b>	<b>109.66</b>	<b>13</b>
<b>Diluted earnings per share</b>	<b>122.97</b>	<b>107.99</b>	<b>14</b>
<b>Net asset value per share</b>	<b>260.86</b>	<b>223.87</b>	<b>17</b>
<b>Diluted net asset value per share</b>	<b>259.29</b>	<b>221.04</b>	<b>17</b>
<b>Dividends per share – paid</b>	<b>90.00</b>	<b>78.00</b>	<b>15</b>
<b>Dividends per share – declared</b>	<b>100.00</b>	<b>90.00</b>	<b>11</b>
<b>Ordinary shares in issue ('000)</b>	<b>331,806</b>	<b>330,630</b>	
<b>Weighted average ordinary shares ('000)</b>	<b>331,093</b>	<b>329,799</b>	
<b>Diluted average ordinary shares ('000)</b>	<b>333,809</b>	<b>334,877</b>	

#### Condensed Group Statement of Cash Flows

(R'000's)	Year ended 30 June	
	2016	2015
Cash flows from operating activities	73,061	128,721
Profit from operations adjusted for non-cash items	645,910	553,120
Working capital changes	(51,906)	9,350
Separately disclosable items <sup>1</sup>	(99,959)	(61,082)
Decrease in financial liabilities <sup>2</sup>	(122,918)	(178,930)
Net disposal of investments <sup>3</sup>	59,375	146,796
Interest received	63,421	44,435
Dividends received	36,538	16,647
Dividends paid	(297,713)	(257,081)
Tax paid	(159,687)	(144,534)
Cash flows from investing activities <sup>4</sup>	(146,854)	(113,205)
Cash flows from financing activities <sup>5</sup>	59,702	25,177
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(14,091)</b>	<b>40,693</b>
Cash and cash equivalents at beginning of the year	223,939	183,246
<b>Cash and cash equivalents at end of the year</b>	<b>209,848</b>	<b>223,939</b>

<sup>1</sup> Interest and dividends received  
<sup>2</sup> Financial liabilities – investment contracts  
<sup>3</sup> Investments in respect of insurance operations and investment contracts  
<sup>4</sup> Mainly relates to the acquisition of intangible assets, property and equipment  
<sup>5</sup> External funding for new office building development

#### Segment Assets and Liabilities

(R'000's)	Year ended 30 June	
	2016	2015
<b>Long-term insurance</b>	<b>1,791,430</b>	<b>1,653,027</b>
Investment contracts	910,647	942,702
Short-term insurance	216,278	173,805
Other*	6,749	24,146
<b>Inter segment</b>	<b>(8,252)</b>	<b>(38,674)</b>
<b>Total Group Assets</b>	<b>2,916,852</b>	<b>2,755,006</b>
<b>Long-term insurance</b>	<b>1,085,912</b>	<b>1,026,336</b>
Investment contracts	909,819	942,336
Short-term insurance	60,852	50,328
Other*	2,973	34,485
<b>Inter segment</b>	<b>(8,252)</b>	<b>(38,674)</b>
<b>Total Group Liabilities</b>	<b>2,051,304</b>	<b>2,014,811</b>

\* The decrease in other segment assets and liabilities is as a result of the disposal of the CLD advances book

#### Notes to the Results

These condensed consolidated financial results for the year ended 30 June 2016 have been reviewed, in terms of International Standards on Review Engagements, (ISRE 2410), by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial results identified in the auditor's report.

The condensed consolidated preliminary Financial Statements were prepared under the supervision of Mr I B Hume (CA(SA), ACMA), the Group Financial Director.

#### Accounting Policies

##### Statement of compliance

The condensed consolidated preliminary Financial Statements are prepared in accordance with the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary 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 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 preliminary 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 preliminary 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 estimates and judgments.

There was no major impact due to changes in previous assumptions and estimates used in deriving the amounts referred to above.

#### Changes to the Board

Messrs B Y Mkhondo and D Molefe were appointed as Non-Executive Directors on 01 January 2016 and 01 March 2016 respectively.

Mr G J Soll retired as a Non-Executive Director and Vice Chairman with effect 31 August 2016.

#### Capital and Other Commitments

The Group's wholly owned subsidiaries, Clientèle Properties East and Clientèle Properties North completed the new office building and parking structure development within the Clientèle Office Park. The capitalised costs since inception amounted to R213 million of which R114 million was guaranteed by Clientèle Limited.

Clientèle Limited has provided financial assistance by means of 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 Holland Foundation Trust, a BBBEE Trust.

#### Events After the Reporting Date

Clientèle Limited intends to provide 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 has purchased or will purchase, the majority of which have already been purchased. This will be voted on by shareholders at the next Annual General Meeting. Full details will be provided in the Integrated Annual Report.

#### Segment Statements of Comprehensive Income

(R'000's)	Long-term insurance	Investment contracts	Short-term insurance	Other	Inter segment (revenue)/ expense	Total
<b>30 June 2016</b>						
Insurance premium revenue	1,550,567		301,949			1,852,516
Reinsurance premiums	(126,525)					(126,525)
<b>Net insurance premiums</b>	<b>1,424,042</b>	<b>–</b>	<b>301,949</b>	<b>–</b>	<b>–</b>	<b>1,725,991</b>
Other income	150,012	9,351	498	3,968	(6,334)	157,495
Interest income	19,284	1,394	2,184		(1,653)	21,209
Fair value adjustment to financial assets at fair value through profit or loss	22,160	90,401	8,355			120,916
<b>Segment revenue</b>	<b>1,615,498</b>	<b>99,752</b>	<b>312,196</b>			

**Recurring  
Embedded  
Value  
Earnings of  
R1 billion**

**Value  
of New  
Business of  
R660 million**

**Recurring  
Return on  
Embedded  
Value of  
23%**

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**Condensed Group Statement of Changes in Equity**

(R'000's)	Share capital	Share premium	Common control deficit	Sub-total	Retained earnings	SAR and Bonus Rights Schemes reserve <sup>†</sup>	NDR: Revaluation	Sub-total	Non-controlling interest	Total
<b>Balance as at 1 July 2014</b>	6,584	285,618	(220,273)	71,929	468,364	23,181	61,222	624,696	(5,850)	618,846
Ordinary dividends					(257,031)			(257,031)		(257,031)
Total comprehensive income					361,643		4,969	366,612	2,748	369,360
- Net profit for the year					361,643			361,643	2,748	364,391
- Other comprehensive income							4,969	4,969		4,969
Shares issued	29	24,567		24,596				24,596		24,596
SAR and Bonus Rights Schemes allocated						9,020		9,020		9,020
Transfer from shares issued					(20,094)	(4,502)		(24,596)		(24,596)
<b>Balance as at 30 June 2015</b>	6,613	310,185	(220,273)	96,525	552,882	27,699	66,191	743,297	(3,102)	740,195
<b>Balance as at 1 July 2015</b>	6,613	310,185	(220,273)	96,525	552,882	27,699	66,191	743,297	(3,102)	740,195
Ordinary dividends					(297,759)			(297,759)		(297,759)
Total comprehensive income					410,486		(817)	409,669	4,235	413,904
- Net profit for the year					410,486			410,486	4,235	414,721
- Other comprehensive income							(817)	(817)		(817)
Shares issued	23	18,690		18,713				18,713		18,713
SAR and Bonus Rights Schemes allocated						9,208		9,208		9,208
Transfer from shares issued					(10,330)	(8,383)		(18,713)		(18,713)
<b>Balance as at 30 June 2016</b>	6,636	328,875	(220,273)	115,238	655,279	28,524	65,374	864,415	1,133	865,548

<sup>†</sup> SAR Scheme – the Clientèle Limited Share Appreciation Rights Scheme  
<sup>†</sup> Bonus Rights Scheme – the Clientèle Limited Bonus Rights Scheme  
<sup>†</sup> 1.2 million (2015: 1.4 million) shares were issued in terms of the SAR and Bonus Rights Schemes

**UNAUDITED 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 30 June 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 calculations have been certified by the Group's independent actuaries, QED Actuaries & Consultants (Pty) Ltd. The EV can be summarised as follows:

(R'000's)	Year ended 30 June	
	2016	2015
Required capital	377,076	335,208
Free surplus	495,969	387,605
Adjusted Net Worth ("ANW") of covered business	873,045	722,813
CoC	(83,190)	(74,170)
PVIF	4,440,788	3,952,657
<b>EV of covered business</b>	<b>5,230,643</b>	<b>4,601,300</b>

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)	Year ended 30 June	
	2016	2015
Total equity and reserves per the Statement of Financial Position	865,548	740,195
Adjusted for deferred profits and impact of compulsory margins on investment business	11,820	11,327
Adjusted for minority interests	(1,133)	3,102
Adjusting subsidiaries to Net Asset Value	31,427	21,884
SAR and Bonus Rights Schemes adjustment	(34,617)	(53,695)
<b>ANW</b>	<b>873,045</b>	<b>722,813</b>

The CoC is the opportunity cost of having to hold the Required Capital of R377.1 million as at 30 June 2016 (30 June 2015: R335.2 million). The Required

Capital has been set at the greater of the Statutory Termination Capital Adequacy Requirement (TCAR) and 1.25 times the Statutory Ordinary Capital Adequacy Requirement (OCAR) for the Life company plus the Statutory Capital Requirement for the Short-term company.

The SAR and Bonus Rights Scheme 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 30 June 2016 was 2.35 times (30 June 2015: 2.32 times) on the statutory valuation basis.

Clientèle General Insurance's Statutory Capital Adequacy Requirement cover ratio at 30 June 2016 was 1.35 times (30 June 2015: 1.33 times) on the statutory valuation basis.

**Value of New Business ("VNB")**

(R'000's)	Year ended 30 June	
	2016	2015
Total VNB	660,328	717,574
Present Value of New Business premiums	2,488,674	2,482,780
New Business profit margin	26.5%	28.9%

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 year ended 30 June 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**

(%)	Year ended 30 June	
	2016	2015
Risk discount rate	12.1	11.8
Non-unit investment return	8.6	8.3
Unit investment return	9.8	9.3
Expense inflation	7.1	6.8
Corporate tax	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 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 consideration, the Board has decided to continue to use a more conservative beta of 1, as opposed to its actual beta of 0.0812 in the calculation of the RDR.

The Board draws the reader's attention to the RDR sensitivity analysis in the table below which allows for sensitivity comparisons using various alternative RDR's.

The resulting RDR utilised for the South African business as at 30 June 2016 was 12.1% (30 June 2015: 11.8%).

**RDR Sensitivities**

(R'000's)	EV	VNB
RDR 10.1%	6,021,044	836,915
RDR 11.1%	5,596,384	740,258
RDR 11.8% (as at June 2015)	5,341,679	682,357
RDR 12.1%	5,230,643	660,328
RDR 13.1%	4,940,989	591,335
RDR 14.1%	4,683,275	532,802

**EV per Share**

(Cents)	Year ended 30 June	
	2016	2015
EV per share	1,576.42	1,391.68
Diluted EV per share	1,563.62	1,370.63

**Segment Information**

The EV can be split between segments as follows:

(R'000's)	ANW	PVIF	CoC	EV
<b>30 June 2016</b>				
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
<b>Total</b>	<b>873,045</b>	<b>4,440,788</b>	<b>(83,190)</b>	<b>5,230,643</b>
<b>30 June 2015</b>				
SA – Long-term insurance	609,521	3,306,547	(53,314)	3,862,754
SA – Short-term insurance	120,532	639,592	(20,856)	739,268
SA – Investment contracts	-	2,629	-	2,629
Other	(7,240)	3,889	-	(3,351)
<b>Total</b>	<b>722,813</b>	<b>3,952,657</b>	<b>(74,170)</b>	<b>4,601,300</b>

The VNB can be split between segments as follows:

(R'000's)	Year ended 30 June	
	2016	2015
SA – Long-term insurance	517,003	602,313
SA – Short-term insurance	138,545	111,360
SA – Investment contracts	3,090	3,037
Other	1,690	864
<b>Total</b>	<b>660,328</b>	<b>717,574</b>

**Embedded Value Earnings Analysis**

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

(R'000's)	Year ended 30 June 2016				Year ended 30 June 2015
	ANW	PVIF	CoC	EV	EV
<b>A: EV at the end of the year</b>	873,045	4,440,788	(83,190)	5,230,643	4,601,300
EV at the beginning of the year	722,813	3,952,657	(74,170)	4,601,300	3,938,694
Ordinary dividends	(297,759)	-	-	(297,759)	(257,031)
<b>B: Adjusted EV at the beginning of the year</b>	<b>425,054</b>	<b>3,952,657</b>	<b>(74,170)</b>	<b>4,303,541</b>	<b>3,681,663</b>
<b>EV earnings (A – B)</b>	<b>447,991</b>	<b>488,131</b>	<b>(9,020)</b>	<b>927,102</b>	<b>919,637</b>
Impact of once-off economic assumption changes	(6,474)	77,208	4,650	75,384	178,005
Recurring EV earnings	441,517	565,339	(4,370)	1,002,486	1,097,642
Return on EV				23.3%	29.8%
<b>Components of EV earnings</b>				<b>21.5%</b>	<b>25.0%</b>
VNB	(290,897)	963,021	(11,796)	660,328	717,574
Expected return on covered business	-	489,057	9,076	498,133	411,292
Expected profit transfer	735,344	(735,344)	-	-	-
Withdrawal and unpaid premium experience variance	(2,604)	(46,038)	(1,751)	(50,393)	19,017
Claims and reinsurance experience variance	(5,499)	-	-	(5,499)	(3,416)
Sundry experience variance	5,699	(623)	-	5,076	4,167
Changes in modelling/basis and non-economic assumptions	1,768	(134,235)	101	(132,366)	(31,951)
Expected return on ANW	47,899	-	-	47,899	34,987
SAR and Bonus Rights Schemes	28,286	-	-	28,286	13,221
Goodwill and Medium-term incentive schemes	(50,231)	29,501	-	(20,730)	(68,498)
<b>EV operating return</b>	<b>469,765</b>	<b>565,339</b>	<b>(4,370)</b>	<b>1,030,734</b>	<b>1,096,394</b>
Investment return variances on ANW	(28,248)	-	-	(28,248)	1,248
<b>Recurring EV earnings</b>	<b>441,517</b>	<b>565,339</b>	<b>(4,370)</b>	<b>1,002,486</b>	<b>1,097,642</b>
Effect of economic assumption changes	6,474	(77,208)	(4,650)	(75,384)	(178,005)
<b>EV earnings</b>	<b>447,991</b>	<b>488,131</b>	<b>(9,020)</b>	<b>927,102</b>	<b>919,637</b>

website: [www.clientele.co.za](http://www.clientele.co.za) • e-mail: [results@clientele.co.za](mailto:results@clientele.co.za)

