Clientèle

2023

CONDENSED UNAUDITED **GROUP RESULTS**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

KEY PERFORMANCE METRICS

Recurring Embedded Value Earnings of

R362 million

Clientèle Royalty Program (rewarding loyalty) launched

Annualised Recurring Return on Embedded Value of

13.2%

Over R40 million of clients' fees and premiums paid by Clientèle through "December is on Us"

Value of New Business of

R125 million

Clientèle

Commentary

The new accounting standard IFRS 17 Insurance Contracts ("IFRS 17") became effective on 1 July 2023 for Clientèle Limited and its subsidiaries ("the Group") and the December 2022 financial results have been restated in accordance with this new standard. This change in accounting standard has mainly impacted the results reported for Clientèle Life Assurance Company Limited ("Clientèle Life"). The introduction of IFRS 17 resulted in a R2.3 billion increase in Net Asset Value on transition date, and lower current period profits largely as a result of the discounted value of the cashflows being higher using the closing yield curve and thus creating a loss on this item for the current period, as compared to a profit in the comparative period. Clientèle General Insurance Limited's ("Clientèle General") results remain largely unchanged. This standard has not impacted the strategic direction, management or the underlying fundamentals of the Group, nor has it impacted its cash generating ability.

Despite a 35% decline in net profit for the period and earnings and headline earnings per share, mainly as a result of lower IFRS 17 profits from insurance operations in Clientèle Life, as described below, the Group remains in a sound solvency and liquidity position and continues to generate strong positive cashflows.

Investment markets remained volatile during the reporting period resulting in a decrease of R22 million in investment profits and an annualised investment return of 10% (2022: 12%) from its investment portfolios.

Low economic growth and high consumer price inflation coupled with high interest rates, loadshedding and unemployment continue to exert pressure on the consumer. The Group is reporting muted results for the reporting period as a result of the continued pressure on premium collections and the consequent increase in policyholder withdrawals.

It is anticipated that initiatives such as the extremely well received "December is on Us" campaign and the recently launched (February 2024) Clientèle customer loyalty program, "Clientèle Royalty", will have a positive impact on policyholder retention and lower withdrawals.

OPERATING RESULTS

Group Statement of Comprehensive Income

Insurance revenue is 5% lower than the previous period at R972.5 million (2022: R1 billion) mainly as a result of a lower release of the Contractual Service Margin ("CSM") and Risk Adjustment ("RA"). Higher than expected withdrawal experience in the 2023 financial year ending 30 June 2023 resulted in a downward adjustment to the CSM compared to the restated prior period.

Insurance service expenses are 7% lower than the prior period mainly due to R22.8 million lower net losses recognized for onerous contracts in the current reporting period. This measure represents the present value of future cash flows of onerous contracts issued.

Total insurance finance income or (expense) from insurance and reinsurance contracts is 45% lower than the restated comparative period at R63 million (2022: R115 million) mainly due to a R75.1 million impact as a result of the change in the shape of the yield curve. This curve is applied in the valuation of insurance contract assets and liabilities and is the main contributor to the total reduction in insurance finance income or (expense) (and thus profit before tax). The amount recognised in the insurance finance income or (expense) arises as a result of the difference between the opening and closing yield curves for the reporting period. For the 2022 reporting period, the yield curve changed shape dramatically over the period. In particular, the closing curve at short durations was higher than the opening curve, with the closing curve being lower at intermediate durations and then the closing curve was once again higher at long durations. For the 2023 reporting period, the closing curve starts out lower than the opening curve, but then switches over such that the closing curve is moderately higher at intermediate durations and much higher at long durations. This results in the discounted value of the cashflows being higher using the closing yield curve versus opening in 2023, and thus creating a loss on this item for this reporting period, compared to a profit for 2022.

Results from other operations which represent business other than insurance business (mainly the offering of investment products and non-insurance products to clients) have decreased by R3.5 million to R72.3 million (2022: R75.8 million) in comparison to the prior period. This is largely driven by the growth in the stand-alone Rewards business which has resulted in higher acquisition expenses.

The above translated into Earnings and Headline earnings for the Group decreasing by 35% to R157.4 million (2022: R243.4 million) which results in an annualised return on average shareholders' interests of 9% (2022: 15%). Earnings and Headline earnings per share of 46.94 cents (2022: 72.59 cents) were 35% lower than the restated comparative period.

Group Embedded Value and Value of New Business

The Group Embedded Value ("EV") uses the Management Accounts basis (essentially the previous IFRS 4 basis) for calculating the Adjusted Net Worth ("ANW") and the Present Value of In-Force ("PVIF"). As a consequence, IFRS 17 has had no impact on the EV and Value of New Business ("VNB") calculations.

The EV at 31 December 2023 was R6.0 billion (30 June 2023: R5.9 billion), after the payment of the annual dividend of R420.7 million in September 2023. Recurring EV earnings ("REVE") of R361.8 million were earned for the period (2022: R366.1 million), a decrease of 1% over the comparative period.

The VNB for the period on a risk discount rate ("RDR") of 13.6% p.a. amounted to R125.3 million (2022: R195.1 million on a RDR of 13.7% p.a.) a decrease of 36% over the comparative period. The prior period VNB benefited from large volumes of single premium and Funeral Parlour business compared to the current period. In addition, the VNB for the current period is not directly comparable to the VNB for the comparative period as a consequence of reinstatements having been removed from the VNB calculation (and treated as a reduction of withdrawals as reported in the 2023 annual financial results). This has a negative impact of R40 million to R50 million in the current period.

The Present Value of new business premiums have decreased due to a decrease in single premium investment business written over the period. The overall profit margin has increased to 9.6% (December 2022: 4.7%) as a result of the higher profit margin on recurring premium business compared to single premium investment business.

SEGMENT RESULTS

Clientèle Life – Life insurance

Clientèle Life remains the major contributor to the Group's performance. The impact of the continued higher than expected withdrawals as well as the yield curve changes as described above during the reporting period, resulted in a 37% decrease in net profit for the period to R125.5 million (2022: R198.4 million). Clientèle Life's total VNB for the period of R54.7 million (2022: R136 million) decreased by 60% compared to the comparative period. The reduction in VNB is as a result of once off items in the prior period VNB, namely, large volumes of single premium and Funeral Parlour business, amounting to R98 million, compared to the R22 million in the current period. The VNB for the current period is not directly comparable to the VNB for the comparative period as a consequence of reinstatements having been removed from the VNB calculation. Clientèle Life recorded REVE of R253.8 million (2022: R257.0 million), a decrease of 1% as a consequence of the same items that impacted the VNB.

Clientèle General – Non-life insurance

Clientèle General's net profit for the period of R52.1 million (2022: R43.0 million) increased by 21% compared to the restated comparative period, largely as a result of increases in insurance revenue and a decrease in insurance service expenses, mainly marketing and employee expenses. Clientèle General's VNB of R56.0 million (2022: R48.6 million) increased by 15%. Clientèle General recorded REVE of R113.2 million (2022: R94.7 million), an increase of 19%.

CBC Rewards (Pty) Limited ("CBC Rewards"), Clientèle Mobile (Pty) Limited ("Clientèle Mobile") and Direct Rewards (Pty) Limited ("Direct Rewards")

CBC Rewards, Clientèle Mobile and Direct Rewards, the Group's non-insurance entities, reported a combined net loss of R16.2 million (2022: net loss of R81 000) for the period. This is largely due to an increased investment in CBC Rewards which is currently in the development and establishment phase and thus requires up-front investment in people and systems which will derive benefit in the future. The VNB was R14.6 million (2022: R10.6 million), a 38% increase over the prior period. Direct Rewards, which is accounted for as a subsidiary, has a minority interest in profits of R1.7 million as at December 2023. CBC Rewards is responsible for, amongst other things:

- Clientèle Royalty which was developed during the period and launched in February 2024;
- the highly successful stand-alone Rewards product (the doubling of the in-force book over the period resulted in new business strain); and
- the successful Rider Rewards program.

OUTLOOK

The Group remains focused on Treating its Clients Well ("TCW") and providing products and services that meet their needs and will continue to improve on the delivery of such products and services to the market conveniently and efficiently.

The challenges within customer collections and persistency have continued to negatively impact withdrawals, and remain a priority for the Group, together with increasing production of quality business across the Group's distribution channels. The successful launch of Clientèle Royalty, which rewards customer loyalty, is an initiative expected to have a positive impact on these metrics.

The success of the "December is on Us" campaign, where in excess of R40 million of clients' December premiums and fees were paid for by the Group, is an example of the shared value principles which the Group adheres to in providing benefits to its community in more ways than just the provision of insurance and related products. This successful initiative now forms part of Clientèle Royalty which is expected to have a meaningful impact going forward.

Following the required shareholder and Regulatory approvals expected later this year, the acquisition of 1Life Insurance (RF) Limited ("1Life") will be a key focus area for the Group and presents a considerable opportunity for growth.

By order of the Board

GQ Routledge	**BW Reekie**
Chairman	Managing Director

Johannesburg

25 March 2024

Accounting policies and basis of preparation

The preparation of the Group's reviewed condensed consolidated interim financial statements was supervised by the acting Group Chief Financial Officer, TA Boesch CA(SA).

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act, 2008.

The policy liabilities are determined in accordance with IFRS 17.

The accounting policies and basis of preparation for the IFRS condensed consolidated interim financial statements are in all material respects consistent with those applied in the 2023 annual report apart from the adoption of IFRS 17 at the beginning of the 2024 financial year ending 30 June 2024.

The following new or revised IFRSs and interpretations have been applied in the 2023 financial period:

- Effective 1 January 2023:
  - IFRS 17;
  - Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
  - Definition of Accounting Estimate (Amendments to IAS 8);
  - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
  - International Tax Reform (Amendments to IAS 12).

The following new or revised IFRSs and interpretations, effective in future years have not been early adopted by the Group and are expected to not have an impact on future results:

- Effective 1 January 2024:
  - Classification of liabilities as current or non-current (Amendments to IAS 1);
  - Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
  - Non-current Liabilities with Covenants (Amendments to IAS 1); and
  - Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

IFRS 17

1. Introduction

IFRS 17 replaces IFRS 4 Insurance Contracts ("IFRS 4") from annual periods beginning on or after 1 January 2023. The Group will apply IFRS 17 for the 2024 financial year, including restated comparative information for the 2023 financial year. The nature of the changes in accounting policies, in alignment with the new standard, are set out below:

2. Classification and Aggregation

The Group applies IFRS 17 to insurance contracts and reinsurance contracts it issues, reinsurance contracts it holds and investment contracts with direct participation features ("DPF") it issues. Investment contracts without DPF (with or without investment management services) fall within the scope of IFRS 9 Financial Instruments ("IFRS 9").

All references to insurance contracts in these accounting policies apply to insurance contracts issued or acquired, reinsurance contracts issued or held, and investment contracts with DPF issued, unless specifically stated otherwise. All references to insurance contracts issued in these accounting policies apply to insurance contracts excluding reinsurance contracts held.

A contract is classified as an insurance contract where the Group provides insurance coverage by accepting significant insurance risk when agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk is assessed on a contract level and exists where there is at least one scenario in which the insured event results both in significant additional payments and also in an overall loss to the Group on a present value basis.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract held transfers significant risk if it substantially transfers all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during the coverage period, unless the terms of the contract are modified.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Group to financial risk are classified as investment contracts and follow financial instruments accounting under IFRS 9.

Investment contracts without DPF issued by the Group fall under this category.

Other investment contracts issued by the Group contain DPF, whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Group's discretion, potentially significant additional benefits based on the return of specified pools of investment assets. The Group accounts for these contracts under IFRS 17.

The Group issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders.

An insurance contract with DPF is defined by the Group as one which, at inception, meets the following criteria:

- The contractual terms specify that the policyholders participate in a share of a clearly identified pool of underlying items;
- The Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- The Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Investment components in savings and participating products comprise policyholder account values less applicable administration and surrender fees.

The Group uses judgement to assess whether the amounts expected to be paid to the policyholders constitute a substantial share of the fair value returns on the underlying items.

Insurance contracts with DPF are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the Group's share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn annually from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders) less the Fulfilment Cash Flows ("FCF") that do not vary based on the returns on underlying items. The measurement approach for insurance contracts with DPF is referred to as the Variable Fee Approach ("VFA"). The VFA modifies the accounting model in IFRS 17 (referred to as the General Measurement Model ("GMM")) to reflect that the consideration an entity receives for the contracts is a variable fee.

Insurance contracts are allocated to the following lines of business and measurement models for the disclosure of amounts related to these contracts in the notes to the financial statements:

Type of insurance	Line of business	IFRS 17 measurement model
Life insurance – Risk business	Whole of life risks business without direct participation features (long boundary)	GMM
	Term life risks business without direct participation features (long boundary)	GMM
	Term life risks business without direct participation features (short boundary)	Premium allocation approach ("PAA")
Life insurance – Savings business	Savings business with direct participation features	VFA
Non-life Insurance	Personal and business lines insurance contracts without direct participation features	PAA
Life risk – reinsurance contracts held	Term life – risk premium reinsurance	GMM

The Group does not have any reinsurance contracts issued to compensate another entity for claims arising from one or more insurance contracts issued by such other entity.

Life insurance – Risk business

The default accounting model applied to insurance contracts for liability measurement purposes is the GMM, unless the VFA or PAA applies. The PAA is a modification of the GMM that allows the use of a simplified approach for measuring the insurance contract liabilities for certain eligible types of contracts (refer to section 4.5 for further details). Insurance contracts measured under the GMM and PAA are referred to as insurance contracts without DPF.

The Group applies the VFA to insurance contracts with DPF (refer to the next sub-section for further details).

For some insurance contracts without DPF, the Group performs investment activity to generate an investment return included in an investment component or amount the policyholder has a right to withdraw. Such an insurance contract provides an investment-return service and is measured under the GMM. Refer to note 2 for further details.

Clientèle Life's main life insurance risk contracts are as follows:

- Whole life, funeral insurance products (funeral products) are whole of life products with benefits which are payable upon defined events, for example, death, measured under the GMM;
- Whole life, final benefits products (whole life products) with benefits which are payable upon defined events, for example death or disability, measured under the GMM;
- Whole life, cash-back products (cash-back products) are whole life final benefits products with benefits which are payable upon defined events, for example death, disability or dread disease and include a return of either one year's or six months' premiums every five years, measured under the GMM;
- Credit life product measured under the PAA;
- Health and hospital insurance products measured under the GMM:
  - Commencing before 1 April 2018 – Hospital insurance products (hospital products) with a "cash-back" element are whole life products with benefits payable on defined events, for example hospitalisation or accidental disability and include a return of six months' premiums every five years;
  - Commencing after 1 April 2018 – Health Event Life Plans ("HELP") are annually renewable products with benefits on defined life events, for example hospitalisation, accidental death, accidental disability and dread disease benefit; and
  - Emergency Evacuation product measured under the PAA.
- Reinsurance contracts held providing proportionate coverage (such as quota share or surplus reinsurance) or non-proportionate coverage (such as excess of loss reinsurance) are measured under the GMM.

Life insurance – Savings business

The Group issues market-related savings products (market-related products) with risk benefits, for example accidental death or disability. These products have an investment account which is built up based on the allocated portion of premiums and market returns in the form of income and growth less expenses and tax; benefits are paid upon defined events, such as death, surrender or maturity of the product.

The accounting model applied to these insurance contracts for liability measurement purposes is the VFA. The VFA modifies the default measurement model in IFRS 17 (GMM) to reflect that the consideration the Group receives for the contract is a variable fee. Section 4.4 provides further details on the measurement of the variable fee. The Group uses judgement in determining the eligibility of contracts for the VFA (refer to note 2 for further details).

Investment components related to insurance contracts measured under the VFA are determined based on the contractual amounts payable on death, surrender or maturity, net of any relevant exit or surrender charges.

In the sections to follow, separate sub-headings are included to describe specific differences in accounting policies related to reinsurance contracts held and insurance contracts measured under the VFA.

Non-life insurance

Clientèle General's Non-life insurance contracts are personal lines and business lines legal expenses contracts with risk benefits to cover individual persons and SMMEs for civil, criminal and labour related matters. Certain personal lines contracts also include accidental death benefits. These contracts are monthly renewable contracts and are measured by applying the PAA.

2.1. Separation of components

Distinct components are separated from the insurance contract and accounted for under a different IFRS standard. The examples of distinct components in the Group are covered below:

- Distinct investment components are accounted for under IFRS 9 (unless it is an investment contract with DPF in scope of IFRS 17 as covered in the previous section), such as some non-participating risk and savings business issued in Clientèle Life where the investment components are not highly interrelated with the insurance components because the value of the investment components can be measured without considering the value of the insurance components, and the policyholders can surrender the investment components without lapsing the insurance cover; and
- Distinct goods or services other than insurance contract services are accounted for under IFRS 15 Revenue from contracts with customers. The separation of these distinct goods or services from insurance contracts accounted for under IFRS 17 is not material for the Group.

2.2. Aggregation (including unit of account)

The lowest unit of account explicitly mentioned in IFRS 17 is the contract, and therefore the Group has assumed that an insurance arrangement with the legal form of a single contract would generally be considered a single unit of account. However, there might be certain cases where the legal form of a contract does not reflect the substance. Insurance contracts which cover multiple insurance risks can be separated into separate contracts for measurement purposes where the Group has applied judgement to assess that the legal form of the insurance contract does not reflect the substance and separation is required.

The Group manages insurance contracts issued by product lines within a distribution channel, where each product line includes contracts that are subject to similar risks. All insurance contracts within these similar risks represent a portfolio of contracts.

Each portfolio is further disaggregated into groups of contracts that are issued within a financial year.

For each portfolio of contracts, the Group determines the initial profitability of each individual contract, to assess whether these contracts are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

Certain product lines do not require a profitability assessment to be carried out. One such product line is the HELP products which fall under the Demarcation Regulations, where the contracts are priced on a group basis, and the pricing is not adjusted for different ages which could pose different risks.

In addition, products that fall under PAA, will be allocated to IFRS 17 groups on a similar basis to that of HELP products, where no profitability bucket is required.

Reinsurance contracts held

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the same grouping requirements as insurance contracts to reinsurance contracts held, the Group aggregates reinsurance contracts held within a financial year (annual cohorts) into groups of (i) net gain; (ii) net cost; and (iii) remaining contracts in the portfolio.

The Group uses judgement in identifying portfolios and assessing the appropriate level at which reasonable and supportable information is available to determine the groups of insurance contracts based on expected profitability at initial recognition.

For reinsurance contracts held, the references to onerous contracts above are replaced with references to contracts on which there is a net gain at initial recognition.

3. Explanation of recognised insurance amounts in profit or loss

This section describes how amounts related to insurance contracts are presented and disclosed in the Group's consolidated financial statements. The insurance service result is equal to the sum of:

- Insurance revenue (section 3.1);
- Insurance service expenses (section 3.2); and
- Income or expenses from reinsurance contracts (section 3.3).

The result from insurance is equal to the sum of the:

- Insurance service result;
- Insurance (and reinsurance) finance income or expenses (section 3.4); and
- Investment returns on assets held in respect of insurance contracts.

3.1 Insurance revenue

Insurance revenue represents the changes in the liability for remaining coverage over the period for a group of insurance contracts excluding changes in the liability that do not relate to services expected to be covered by the consideration received. The consideration received refers to the amount of premiums paid to the Group, adjusted for the discounting effect and excluding any investment components. The amount of insurance revenue recognised in the reporting period depicts the delivery of promised services at an amount that reflects the portion of premiums the Group expects to be entitled to in exchange for those services.

For insurance contracts issued, not measured under the PAA, the total consideration for a group of contracts covers the following amounts:

- Expected claims and administration expenses incurred in the period (excluding amounts allocated to the loss component and repayments of investment components);
- Amounts of the CSM recognised in profit or loss for the services provided in the period;
- Release of the risk adjustment for risk expired (excluding amounts allocated to the loss component);
- Amounts related to income tax that are specifically chargeable to policyholders;
- Experience adjustments arising from premiums received related to current (or past) service, including related cash flows such as insurance acquisition cash flows; and
- Amortisation of insurance acquisition cash flows for groups of insurance contracts measured under the GMM or the VFA.

For contracts measured under the PAA, insurance revenue for the period is the amount of expected premium receipts allocated to the period based on the passage of time. However, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then insurance revenue for the period is allocated on the basis of the expected timing of incurred insurance service expenses.

3.2 Insurance service expenses

The following amounts are recognised in insurance service expenses:

- Expected claims and administration expenses incurred (excluding amounts allocated to the loss component and repayments of investment components);
- Experience adjustments arising from incurred claims and administration expenses;
- Changes in liability for incurred claims related to past service;
- Actual insurance acquisition cash flows on insurance contracts measured under the PAA (for businesses not electing to amortise these cash flows in the liability for remaining coverage);
- Amortisation of insurance acquisition cash flows for groups of insurance contracts measured under the GMM or the VFA, or where businesses elect to include insurance acquisition cash flows in the liability for remaining coverage under the PAA; and
- Changes that relate to future service relating to the loss component ("LC"):
  a) initial losses on onerous groups of insurance contracts issued recognised in the period; and
  b) increases and reversals of losses on onerous groups of insurance contracts issued.

The expenses only relate to cash flows that are directly attributable to the fulfilment of the insurance contracts issued.

3.3 Income or expenses from reinsurance contracts

The Group presents income or expenses from a group of reinsurance contracts held, other than insurance finance income or expenses, as a single amount. The amounts recognised as income or expenses reflect the features of reinsurance contracts held that differ from insurance contracts issued.

Income or expense from reinsurance contracts comprise reinsurance service expenses less amounts recovered from reinsurers. Reinsurance expenses are recognised similarly to insurance revenue, depicting the transfer of services received in the period at an amount reflecting the portion of premiums the Group is expected to pay in exchange for those services.

The following amounts are recognised as income or expenses from reinsurance contracts held where relevant:

- Amounts of the CSM recognised in profit or loss for the services received in the period;
- Changes in the risk adjustment for non-financial risk, excluding:
  a) changes that related to future service (adjusting the CSM); and
  b) amounts included in reinsurance finance income or expenses (refer to section 3.4 below for reinsurance contracts held).

For contracts accounted for under the GMM:

a) Experience adjustments related to incurred claims and administration expenses recoverable from the reinsurance contracts held, and other administration expenses incurred; and
b) Experience adjustments related to ceded premiums for past and current service.

For contracts accounted for under the PAA:

a) Actual incurred claims and administration expenses recoverable from the reinsurance contracts held, and other administration expenses incurred; and
b) Reinsurance expenses related to the portion of ceded premiums recovered in the current period, recognised based on the passage of time over the coverage period of the reinsurance contracts held:
   - Changes in the incurred claims for past service recoverable from the reinsurance contracts held;
   - Changes in the non-performance risk of reinsurer counterparties; and
   - Changes that relate to future service relating to the loss recovery component ("LRECC"):

     a) Income on the LRECC recognised in the period; and
     b) Changes in estimates that adjust the LRECC.

3.4 Insurance (and reinsurance) finance income and expense

The Group recognises all insurance finance income or expenses for the reporting period in profit or loss. The Group has therefore elected not to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income.

The effect of and changes in the time value of money and financial risk form part of the insurance finance income and expenses.

For a group of insurance contracts measured under the GMM, insurance finance income or expenses mainly comprises the following amounts:

- The unwind of interest on FCF, based on current discount rates;
- The accretion of interest on the CSM, based on locked-in discount rates; and
- The effect of changes in financial (economic) assumptions.

For a group of insurance contracts measured under the PAA, insurance finance income or expenses mainly comprises the following amounts (where relevant):

- The unwind of interest on the liability for incurred claims, based on current discount rates; and
- The impact on the liability for incurred claims of the effect of changes in economic assumptions.

For groups of insurance contracts measured under the VFA, the fair value returns on the underlying items are recognised in insurance finance income and expenses.

The amounts recognised in insurance finance income or expenses are determined on a 'gross basis' before any allowance for investment management expenses and policyholder taxation at current tax rates.

The changes in the risk adjustment for non-financial risk have been disaggregated between the insurance service result and insurance finance income and expenses.

3.5 Amortisation of insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.

Insurance acquisition cash flows are amortised in each reporting period in a systematic way based on the passage of time. For insurance contracts not measured under the PAA, the insurance acquisition cash flows are amortised incorporating the in-force policy count. For insurance contracts measured under the PAA, amortisation is on a straight-line basis based on the expected coverage period of the insurance contracts.

4. Measurement of insurance contracts

The Group measures insurance contracts by performing year-to-date estimates of the carrying amount of the asset or liability for a group of insurance contracts.

In the notes to the financial statements, the net carrying amount of the insurance contracts issued and reinsurance contracts held has been defined as the net insurance contract carrying amount (for insurance contracts issued) and the net reinsurance contract carrying amount (for reinsurance contracts held).

4.1. Recognition

The Group recognises insurance and reinsurance contracts held from the beginning of the coverage period. Investment contracts with DPF are recognised when the group becomes party to the contract.

Reinsurance contracts held

The Group recognises reinsurance contracts held at the beginning of the coverage period, but no earlier than the initial recognition date of any underlying insurance contract where the group of reinsurance contracts held provides proportionate coverage (such as quota share reinsurance or surplus reinsurance).

A group of reinsurance contracts held that provides non-proportionate coverage (such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

4.2. Contract boundaries

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract issued if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide the policyholder with insurance contract services.

Cash flows are within the boundary of an investment contract with DPF if they result from a substantive obligation of the Group to deliver cash at a present or future date.

A substantive obligation to provide services ends when the Group:

- Has the practical ability to reassess the risks of a particular policyholder and as a result can change the price charged or the level of benefits provided for the price to fully reflect the new level of risk; or
- Performs the boundary assessment at a portfolio rather than individual contract level, and the following two criteria are both satisfied:

  a) The Group has the practical ability to reprice the portfolio to fully reflect risk from all policyholders; and
  b) The Group's pricing of the premiums up to the assessment date does not consider any risks beyond this date.

Cash flows outside of the boundary of the insurance contract relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Contract boundaries for the different Clientèle products are as follows:

Type of insurance	Line of business	Contract boundary
Life insurance – Risk business	Long term risk products:	These products have a long contract boundary based on the full policy term of the lives assured.
	Hospital and HELP products	Full policy terms (whole of life).
	Credit Life products	3 months (premiums are recalculated quarterly taking into account the outstanding loan balance).
Life insurance – Savings business	Savings products	Full policy term. Some savings contracts have a fixed 20 year term, with the other savings contracts not specifying a set term. In addition, there is a process whereby paid-up policyholders are contacted when the policy reaches 20 years for the Group to pay the money to the client. Where there is a fixed maturity date, the term is extended past that date if the client has not elected to withdraw the amount on the policy.
Non-life insurance	Legal products	1 month (guided by the notice period allowed to amend contract terms and conditions).

Reinsurance contracts held

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive services from the reinsurer.

The substantive rights and obligations of both parties will end if there is a unilateral right to cancel the reinsurance contract. The probability of the reinsurer repricing the contract can be allowed for when determining the FCF included in the contract boundary and is based on past business practice/experience where relevant. However, an allowance for the probability of the reinsurer cancelling the contract is not permitted when assessing the contract boundary. Based on the wording in the current reinsurance treaties, these treaties have long contract boundaries based on the underlying portfolios' boundaries.

4.3. Initial measurement

On initial recognition, the Group measures a group of insurance contracts as the total of the:

- FCF; and
- CSM.

For contracts that are measured under the VFA, the GMM model applies, except for the measurement of the CSM after initial recognition.

The PAA is a modification of the GMM that allows the use of a simplified approach for measuring the liability for remaining coverage for certain eligible types of contracts.

Fulfilment cash flows (FCF)

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

When estimating future cash flows, the Group includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows;
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims;
- Payments to policyholders resulting from embedded surrender value options;
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs;
- Claims handling costs;
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries; and
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows.

Risk of the Group's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Some reinsurance contracts held contain reinsurance experience refunds. Under these arrangements, there may be an amount refunded to the insurer based on agreed terms, where experience is better than expected. As the Group's expected claims are modelled using the expected claims in the reinsurance tables, and these reinsurance tables assume zero experience refunds, only actual experience refunds received will be included in the actual cash flows. In addition, no expected reinsurance experience refunds will be allowed for in the expected cash flows.

Insurance acquisition costs and expenses

Insurance acquisition cash flows are defined as cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows also include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.

Some departments include a mix of acquisition and maintenance costs. In this case, the Group splits the acquisition and maintenance costs by making use of key allocation drivers determined using a systematic and rational approach.

Directly attributable costs are costs that relate to the fulfilment of the insurance contract. The Group has used a systematic and rational method to allocate directly attributable insurance acquisition cash flows ("IACF") to a portfolio of insurance contracts. Directly attributable expenses have been linked at a portfolio level. The IACF that are directly attributable to a portfolio of contracts, but not to a group of contracts, are allocated to existing groups in the portfolio and future groups that are expected to become part of the portfolio.

There are fixed and variable overheads (such as the costs of accounting, human resources, information technology and support, building depreciation, rent, maintenance and utilities) directly attributable to fulfilling insurance contracts. The split of the directly attributable cost is calculated on a systematic and rational basis to allocate the costs to portfolio of insurance contracts.

Non-directly attributable expenses are recognised as incurred outside of the insurance service result. Non-directly attributable expenses are disclosed under "Other expenses" and impact profits and losses.

Discount rates

The estimates of future cash flows are adjusted to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of future cash flows. The Group applies discount rates, that include the effect of inflation, to nominal cash flows (i.e. those cash flows that also include the effect of inflation, where relevant).

The discount rates applied to the estimates of the future cash flows:

- Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- Are consistent with observable current market prices (if any); and
- Exclude the effect of factors that influence such observable market prices, but do not affect the future cash flows of the insurance contracts.

In order to set the discount rates to be used, the Group first obtains the liquid risk-free yield curve from the Prudential Authority ("PA"), and then subsequently allow for a Liquidity Risk Premium ("LRP") adjustment to the yield curve.

An assessment of the liquidity of each product offered by the Group was performed. The definition of the liquidity of an insurance contract is the ability of a policyholder to receive:

- Payments earlier than the occurrence of insured events, or dates specified in the contract at a reasonable cost; and
- Full claim settlement within a short period following the occurrence of an insured event.

Liquidity characteristics can vary over the full duration of a policy contract. At initial recognition all liquidity characteristics arising during the remaining coverage period as well as the incurred claim period would be considered. However, contracts that no longer have a remaining coverage period only have exposure to the incurred claim liquidity characteristics.

Insurance contracts are divided into four liquidity buckets based on their liquidity characteristics:

- Fully liquid;
- Moderately liquid;
- Partially liquid; or
- Fully illiquid.

In assigning insurance contracts into liquidity buckets, the Group considers the following items:

a) In respect of the period before the occurrence of the insured event:
   - The size of the liability or asset share at the average duration that contracts remain in force i.e. cumulative build-up of net cash flows and interest thereon;
   - Whether the contract provides an exit value;
   - The cost to the policyholder to obtain an exit value;
   - The frequency with which a policyholder can obtain an exit value;
   - The average outstanding duration for contracts remaining in force; and
   - The predictability of cash flows under the contract.

b) In respect of the period after the occurrence of the insured event:
   - The time to full settlement of a claim following the insured event.

Given that the risk products have a very low level of reserve and asset share build-up, as premium increases allow for the increase in risk cost, the analysis above determined that all products within the Group are deemed to be fully liquid, and thus the Group does not need to add a LRP.

In order to calculate Contract Recognition, the Group uses the PA liquid risk-free yield curve as at the reporting date, which would be adjusted for the LRP, if needed, to determine the profitability of each policy, and thus set the IFRS 17 group per policy. For the setting of the discount rates for each month's new business the Group will use the yield curve as at the end of the reporting period.

For the locked-in rates for each financial year, the Group proposes using a weighted average yield curve, where the curve will be weighted using the policy counts per month per IFRS 17 group. The Group believes that this will not be materially different from using the individual months curves.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the estimated future cash flows and reflects the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

The boards of directors ("the Board") has created and approved the Risk management strategy which includes the risk tolerance statement and the explicit risk level the Group accepts when writing new business. The Risk appetite statement works on the principal that the Group would accept a maximum reduction of 30% in EV based on a 1 in 7-year (or 85% percentile) event. If the risk is greater than 30%, the Group would require additional risk premiums, or it will not accept the business. If the risk of a reduction in EV is significantly higher than 30% the Group would not be able to make its targeted profits and would look to decrease its accepted risk.

The main risk items in the Group's products are interest rate risk, which is excluded from risk adjustment, claims (risk benefits) risk and persistency risk. By creating a Risk Adjustment measure using the claims risk and persistency risk explicitly the Group will cover all material non-financial risks to measure the effect of uncertainty in the cash flows that arise from insurance contracts, other than uncertainty arising from financial risk. An allowance is also made for expense risk.

Operational risk is excluded from the Risk Adjustment.

The methodology for applying the Risk Adjustment is consistent between all approaches, being the GMM, the VFA and the PAA approaches.

Reinsurance contracts held

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, except for the following:

- Measurement of the cash flows include an allowance for the risk of reinsurer non-performance; and
- The Group determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.

Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, it establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Group calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

Contractual service margin (CSM)

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides coverage in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

- The initial recognition of the FCF;
- The derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows; and
- Cash flows arising from the contracts in the group at that date.

A negative CSM at the date of inception means the group of insurance contracts issued is onerous. A negative CSM is not recognised, but rather treated as a loss component.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Group recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group will recognise as a reinsurance expense as it receives reinsurance coverage in the future.

For insurance contracts acquired, at initial recognition, the CSM is an amount that results in no income or expenses arising from:

- The initial recognition of the FCF; and
- Cash flows arising from the contracts in the group at that date, including the fair value of the groups of contracts acquired as at the acquisition date as a proxy of the premiums received.

Reinsurance contracts held

For groups of reinsurance contracts held, the CSM can be positive or negative and therefore represents a deferred gain or loss that the Group will recognise as reinsurance income or expenses when it receives reinsurance coverage in the future. An LRC adjusts the CSM at initial recognition of the group of reinsurance contracts held when onerous underlying insurance contracts are recognised. The resulting income is recognised in profit or loss and offsets the losses recognised on the underlying insurance contracts for the portion of the underlying insurance contracts being reinsured. The LRC is not established before the underlying insurance contracts are recognised. This adjustment to the CSM of a group of reinsurance contracts held and the resulting income, is determined by multiplying:

- The loss recognised on the underlying insurance contracts; and
- The percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held.

The Group uses judgement in determining the LRC, including for subsequent measurement.

Onerous contracts – Loss component (LC)

An LC exists where the CSM at the date of initial recognition is negative. This loss from onerous insurance contracts is recognised in profit or loss immediately with no CSM recognised on the balance sheet on initial recognition.

When an LC exists, the Group allocates the following between the LC and the remaining component of the LRC for the respective group of contracts, based on the ratio of the LC to the FCF relating to the expected future cash outflows:

- Expected incurred claims and expenses for the period;
- Changes in the risk adjustment for non-financial risk for the risk expired; and
- Finance income (expenses) from insurance contracts issued.

The first two categories above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

4.4 Subsequent measurement (excluding PAA)

The carrying amount of a group of insurance contracts at the end of each reporting date is the sum of:

- The liability for remaining coverage (remaining coverage component for reinsurance contracts held), comprising:
  - a) The FCF related to service to be provided (received for reinsurance contracts held) in future periods; and
  - b) The remaining CSM of the group at that date.
- The liability for incurred claims (incurred claims component for reinsurance contracts held), comprising the FCF for past service allocated to the group at that date. The liability for incurred claims also includes the repayment of any investment components or other amounts that are not related to the provision of insurance contract services in future periods and therefore not included in the liability for remaining coverage.

Changes in Fulfilment cash flows

The FCF are updated by the Group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

- Changes that relate to current or past service are recognised in profit or loss; and
- Changes that relate to future service are recognised by adjusting the CSM or the LC within the LRC as per the policy below.

Insurance contracts under GMM

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

a) Experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
b) Changes in estimates of the present value of future cash flows in the LRC;
c) Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
d) Changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (a) to (c) above are measured using the locked-in discount rates as described in the section interest accretion on the CSM below.

For insurance contracts under the GMM, the following adjustments do not relate to future service and thus do not adjust the CSM:

a) Changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
b) Changes in the FCF relating to the liability of incurred claims and expenses ("LIC"); and
c) Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Insurance contracts under VFA

For insurance contracts under the VFA, the following adjustments relate to future service and thus adjust the CSM:

a) Changes in the Group's share of the fair value of the underlying items; and
b) Changes in the FCF that do not vary based on the returns of underlying items:
   i. Changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
   ii. Experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
   iii. Changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
   iv. Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period;
   v. Changes in the risk adjustment for non-financial risk that relate to future service; and
   vi. Adjustments are measured using the current discount rates.

For insurance contracts under the VFA, the following adjustments do not relate to future service and thus do not adjust the CSM:

a) Changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items; and
b) Changes in the FCF that do not vary based on the returns of underlying items:
   i. Changes in the FCF relating to the LIC; and
   ii. Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Changes to the Contractual service margin

For a group of insurance contracts issued, the carrying amount of the CSM at the end of each reporting period is adjusted for the following changes in the period:

a) The effect of new contracts recognised in the period;
b) For contracts measured under the GMM, the accretion of interest on the CSM at the start of the reporting period (or initial recognition for new contracts recognised in the period). Interest is accreted on the CSM using locked-in discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns on underlying items;
c) Changes in the FCF that relate to future service (as described in the 'Fulfilment cash flows' section above) adjust the CSM, to the extent the CSM is available. If an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised. If the CSM is zero, changes in the FCF are recognised in insurance service expenses by adjusting the loss component. Any decrease in the FCF in excess of the loss component reduces the loss component to zero and reinstates the CSM. Refer to the 'Loss component' section below for further details; and
d) The amount of the CSM recognised in insurance revenue based on the insurance contract services provided in the period, determined after allowing for the impacts described above. Refer to the 'Coverage units' section below for further details.

Reinsurance contracts held

For a group of reinsurance contracts held, the same steps are followed (as described above for a group of insurance contracts issued) to adjust the carrying amount of the CSM at the end of each reporting period, with the main differences in the features of the reinsurance contracts held summarised below:

- The CSM at initial recognition for new contracts recognised in the period is adjusted for an LRECC when underlying insurance contracts are onerous (refer to section 1.3.3 for further details);
- The adjustment to the CSM for changes in the FCF related to future service is after any adjustment to the LRC for changes in the FCF for the underlying insurance contracts which adjusted a LC; and
- The amount of the CSM recognised as income or expenses from reinsurance contracts held in profit or loss is based on the services received from the reinsurer(s) in the period.

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items (locked-in discount rates). If more contracts are added to the existing groups in the subsequent reporting periods, the Group revises the locked in discount curves by calculating weighted-average discount curves over the period that contracts in the group are issued. The weighted-average discount curves are determined by multiplying the new contracts added to the group and their corresponding discount curves over the total contract count.

Coverage units and release of CSM to profit or loss

The CSM is recognised as insurance revenue over the duration of the insurance contracts issued based on the number of coverage units provided in each period. Coverage units are determined for broad product types to best reflect the rendering of insurance contract services in a particular reporting period.

The coverage units of the group of insurance contracts are identified by considering for each contract the quantity of the benefits provided under the contract and its expected coverage period. The quantity of benefits will typically be determined based on the maximum amounts that policyholders can claim in each period. The coverage units are updated at each reporting date to reflect the actual experience over the reporting period and the expected coverage to be provided in the future.

The coverage units for contracts measured under the GMM consider the quantity of benefits and expected coverage period of investment-return services (where relevant), in addition to the insurance coverage provided (or reinsurance coverage received). The coverage units for contracts measured under the VFA consider the quantity of benefits and expected coverage period of investment-related services as well as any insurance coverage provided (where relevant).

Onerous contracts – Loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Group recognises the excess in insurance service expenses and records it as an LC of the LRC.

Decreases in the FCF in subsequent periods reduce the remaining LC and reinstate the CSM after the LC is reduced to zero. Increases in the FCF in subsequent periods increase the LC.

4.5 Initial and subsequent measurement for contracts measured under the PAA

The Group applies the PAA for measuring contracts with a coverage period of one year or less.

Paragraph 59 of IFRS 17 allows the Group to apply certain practical expedients. The Group applies the first practical expedient which allows an entity to expense acquisition cash flows when incurred. There is no significant risk to the business or profitability as the current cost patterns are fairly consistent. The savings on time, cost and ease of application supports the decision to expense acquisition cash flows when incurred.

On initial recognition, the Group measures the LRC at the amount of premiums received in cash. As all issued insurance contracts to which the PAA is applied have coverage of a year or less, the Group applies a policy of expensing all insurance acquisition cash flows as they are incurred.

Premiums due to the Group for insurance contract services already provided in the period but not yet received at the end of the reporting period are included in the LRC. The carrying amount of the LRC at the end of each subsequent reporting period represents the carrying amount at the start of the reporting period adjusted for the premiums received in the period and the amount recognised as insurance revenue for insurance contract services provided in that period.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

a) The LRC; and
b) The LIC, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is calculated as the sum of the:

a) Increase for premiums received in the period;
b) Decrease for insurance acquisition cash flows paid in the period; and
c) Decrease for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period.

The Group does not adjust the LRC for insurance contracts issued held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less.

For contracts measured under the PAA, the LIC is measured similarly to measurement under the GMM. Future cash flows are adjusted for the time value of money since personal and business lines insurance contracts issued by the Group and measured under the PAA typically have a settlement period of over one year.

When facts and circumstances indicate that a group of contracts has become onerous, the Group performs a test for onerousness. If the amount of the FCF exceeds the carrying amount of the LRC, the Group recognises the amount of the difference as a loss in profit or loss and increases the LRC for the corresponding amount.

4.6 Derecognition and modification

The Group derecognises a contract when the rights and obligations relating to the contract are extinguished (i.e. expired, discharged, or cancelled) or the contract is modified and additional criteria are met.

If an insurance contract is modified by the Group by agreement between the parties to the contract or by a change in regulation, the changes in the cash flows as a result of the modification is treated as changes in estimates of FCF, unless the criteria for the derecognition of the original contract are met. If a contract modification results in derecognition of the original contract, a new contract is recognised on the modified terms. The exercise of a right included in the terms of a contract is not a modification.

If an insurance contract not accounted for under the PAA is derecognised from a group of insurance contracts, or a contract modification does not result in the derecognition of the original insurance contract, the CSM of the group of insurance contracts is adjusted for the changes in estimates of FCF.

If an insurance contract not accounted for under the PAA is transferred to a third party, or a contract modification results in the derecognition of the original insurance contract and recognition of a new contract, the Group adjusts the CSM of the group of insurance contracts from which the contract has been derecognised based on the difference between the changes in estimates of FCF of the group of insurance contracts resulting from the contract being derecognised and:

a) For transfers to a third party, the premium charged by the third party; or
b) For a contract modification, the premium that the Group would have charged had it entered into a new contract with the modified terms at the date of the contract modification.

The new contract recognised is measured assuming that the Group received the premium determined in (b) above. The adjustments to the CSM described above exclude any changes in FCF resulting in the recognition of (or changes to) a loss component for the group of insurance contracts.

If an insurance contract measured under the PAA is derecognised from a group of insurance contracts, the Group adjusts the liability for remaining coverage of the group of insurance contracts to reflect the amount refunded to the policyholder as a result of the derecognition of the insurance contract (or the amount paid to a third party in the case of a transfer other than for settlement of incurred claims), and the premium that would have been received for a new contract in the case of a contract modification resulting in the derecognition of the original contract.

5. Transition approach

On transition date, the Group:

- Identified, recognised, and measured each group of insurance contracts as if IFRS 17 had always applied unless impracticable;
- Identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied;
- Derecognised any existing balances that would not exist had IFRS 17 always applied; and
- Recognised any resulting net difference in equity.

On transition, the Group applied the fully retrospective approach to all Life insurance contracts issued on or after 1 July 2018 and the fair value approach for all business written prior to this date. Obtaining reasonable and supportable information to apply the fully retrospective approach for existing business prior to 1 July 2018, was deemed impracticable without undue cost or effort.

The fully retrospective approach was completed assuming that IFRS 17 had always been in existence for these contracts. No simplifications were applied.

Fair value approach

Under the fair value approach, the relevant opening balances were determined as at the transition date, 1 July 2022.

The CSM at the transition date is calculated as the difference between the fair value of the group of insurance contracts and the FCF measured at that date. The Group has applied the requirements of IFRS 13 Fair Value Measurement ("IFRS 13") to determine the fair value of groups of contracts, with the exception of the demand deposit floor requirement which IFRS 17 specifies should not be applied. The fair value is effectively the consideration that would be paid or received for a group of insurance contracts to enable a market participant to earn their required rate of return in a notional transaction involving the group of contracts. The Group used the income approach (as defined by IFRS 13) to determine this amount.

The fair value was calculated by discounting the expected funds becoming available for distribution to a market participant (referred to as distributable income, under the income approach), at the required rate of return. This calculation allows for a market participant's view of capital requirements and expectations of future real-world returns. The Group applied judgement to determine the method and assumptions used to calculate the fair value.

The Group has applied the fair value approach on transition for certain groups of portfolios in Clientèle Life.

The Group therefore determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the FCF measured at that date. The fair value was determined as the EV of the contracts at the transition date.

Fully retrospective approach on Short contract boundary business

The Group applied a fully retrospective approach on transition to the following policies:

- Term life risks business without direct participation features (short boundary); and
- Personal and business lines insurance contracts without direct participation features.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the condensed consolidated interim financial statements necessitates the use of estimates, assumptions and judgements. These estimates and assumptions affect items reported in the Group statement of financial position and statement of comprehensive income, as well as contingent liabilities. Although estimates are based on management's best knowledge and judgement of current facts as at the statement of financial position date, the actual outcome may differ from these estimates. Refer to note 6 of the condensed consolidated interim financial statements for further information on significant changes since the previous reporting period in terms of critical estimates and judgements and note 7 of the condensed consolidated interim financial statements for information on contingencies.

The reported amounts in respect of the Group's insurance and other contracts, policyholder liabilities, employee benefits, intangible assets, deferred tax assets and related liabilities and unquoted financial instruments, guarantees and estimated credit losses, are affected by accounting estimates and judgements.

1.1. Owner-occupied property

The owner occupied properties are classified as investment property in Clientèle Life and the material properties are valued annually by Broll Valuation and Advisory Services Proprietary Limited (part of the CB Richard Ellis Proprietary Limited network), an independent valuator. For the purpose of valuing the property, the discounted cash flow methodology was adopted, in terms of which estimated gross income is projected for a ten-year period.

Forecast expenses are then deducted from the estimated gross annual income projections, to arrive at the net annual income stream throughout the cash flow period. An amount that represents an estimate of the value of the property upon reversion at the end of the cash flow period is added to the sum of the discounted net annual value of the cash flows. The estimated value upon reversion at the end of the cash flow period is calculated as the value of the estimated net income in the forward period of 12 months immediately following the final year of the cash flow capitalised at an appropriate rate to reflect the perceived risk in the investment.

The underlying assumptions used are a gross market rental of between R125 and R165 (2022: between R125 and R165) per square meter per month. This has then been capitalised into perpetuity at a yield of between 8.75% and 9.50% (2022: between 8.75% and 9.50%), which is appropriate given the current state of the property market and the quality of the property investments.

1.2. Deferred tax asset

The calculation of the deferred tax asset in respect of the Individual Policyholder Fund ("IPF") of R150.0 million (2022: R103.1 million) and future utilisation of the assessed loss together with the related policyholder liability amounting to R127.9 million (2022: R96.0 million) is subject to estimates and judgements. The input with the largest effect on the calculation is the assumed attrition rate of business. Management has reduced the attrition rate from 20% to 3% as there is now sufficient evidence in respect of the behaviour of this book of business evidenced by more experience and increased single premium business sold in the prior year. The sensitivity attrition rate for the prior period was 17,5% and 22,5%.

If the attrition rate decreased to 2% the deferred tax asset would increase to R153.1 million (2022: R116.3 million), with an additional positive impact of R0.1 million (2022: R1.0 million) on net profit after tax. If the attrition rate increased to 4%, the deferred tax asset would decrease to R146.9 million (2022: R94.4 million), with an additional negative impact of R0.1 million (2022: R0.4 million) on net profit after tax. At the reporting date the IPF has an estimated tax loss of R0.9 billion (2022: R1.2 billion).

1.3. Employee Benefits

The determination of the liabilities in respect of the Goodwill Scheme component of the Group's Bonus Scheme is dependent on estimates made by the Group. Estimates are made as to the expected VNB generated in each of the years of a five-year cycle of the Scheme, the multiple used in the formula and the expected number of participants in the Scheme. From the cycle that commenced on 1 July 2022 onwards, the Goodwill Scheme will be based on a weighted average of the VNB created during the five-year cycle in determining the pool.

The determination of the liabilities in respect of the EV component of the Group's Bonus Scheme is dependent on estimates made by the Group. Factors affecting the calculation are the REVE, the hurdle rate and the expected pool utilisation.

1.4. Financial assets at Level 3 of the fair value hierarchy

Level 3 values are estimated indirectly using valuation techniques or models, for which one or more of the significant inputs are assumptions (based on unobservable market inputs). African Bank Limited stub paper has been classified as level 3 on the fair value hierarchy as the instruments are not traded directly on the market.

The following factors are taken into consideration in determining the fair value of the senior stub paper applicable at the prior year end (the senior stub paper was repaid during the previous financial year):

- Market interest rates;
- Experience gained from the stub paper from the past;
- Market conditions currently experienced;
- The value of the instrument had it been measured at amortised cost; and
- Market knowledge obtained from news sources and Investment managers.

The fair value of the stub paper was reviewed at least twice per year, and when information becomes available that indicates that the fair value is different to the value recorded.

Yellowwoods Trust Investments (Pty) Limited ("YTI") preferences shares are considered as level 3 on the fair value hierarchy and are valued using a Monte Carlo simulation. The primary inputs used to value the shares consist of:

- The Clientèle Limited share price;
- The dividend yield; and
- 77% of the prime interest rate.

1.5. Deferred Acquisition Cost ("DAC")

The DAC relates to the deferral of incremental costs for the single premium business and the recurring premium saving policies.

- The DAC is amortised over a period of three years for the recurring premium saving policies and over five years for the single premium business.

1.6. Insurance and reinsurance contracts

This disclosure should be read in conjunction with the valuation methodology as described in the IFRS 17 accounting policies above.

1.6.1. Classification

Assessing significance of insurance risk and discretionary amounts for investment contracts with DPF

The Group applies judgement to assess whether contracts are in scope of IFRS 17 in some product lines, such as whether payments on death are linked to an underlying pool of assets. Where the death payments on policies with no DPF have been assessed not to be significant on a present value basis, these investment contracts are in scope of IFRS 9.

VFA eligibility

The Group applies the VFA to life insurance savings business for insurance contracts with direct participation features that are substantially investment-related. The Group applies judgement to assess on the initial recognition of the contracts, whether:

(a) A substantial share of the fair value returns on the underlying items is expected to be paid to the policyholders; and

(b) A substantial proportion of any change in the amounts to be paid to the policyholders is expected to vary with the change in fair value of the underlying items.

The Group has applied judgement to conclude that assessments can be performed for groups of homogeneous contracts with similar contract features/terms based on readily available qualitative or quantitative information for investment contracts with DPF (with no significant insurance risk), and other market-linked savings contracts where minimum investment guarantees and/or rider benefits create significant insurance risk.

PAA eligibility

The Group applies the PAA to measure a group of insurance contracts issued or reinsurance contracts held if, at inception of the group: the coverage period of each contract in the group of insurance contracts is one year or less; or the group reasonably expects that the PAA would produce a measurement of the liability or asset for remaining coverage for a group of insurance contracts that would not differ materially from the measurement that would be achieved by applying the requirements of the GMM.

Scenario testing will be performed at least annually, by updating the projected fulfilment cash flows under reasonably expected scenarios, which would affect cash flow variability. The Group applies judgement in calibrating these scenarios for changes in market and non-market variables based on management's view of the key changes affecting cash flow and liability variability for each portfolio of insurance contracts. Judgement will be applied to define relative materiality thresholds for each portfolio based on ensuring that the combined absolute impacts of all groups of insurance contracts with coverage periods longer than a year applying the PAA, falls within an absolute measure of materiality for each future year.

1.6.1.1. Aggregation

The Group applies judgement to assess whether reasonable and supportable information is available to allocate a set of contracts to the same group of onerous contracts.

Initial contract recognition assessment is performed at an individual contract level to determine profitability and to thus allocate groups of insurance contracts to specific IFRS 17 groups.

The individual contract assessments are performed on an adjusted expense allocation basis for aggregation purposes, where expense assumptions are set based on what is determined as attributable expenses, and included in the fulfilment cash flows to a group of insurance contracts.

The Group may have to apply judgement to assess whether facts and circumstances have indicated that a group of contracts has become onerous subsequent to initial recognition. This is done based on the changes to underlying assumptions set based on experience on the portfolio of policies.

1.6.1.2. Reinsurance contracts held

The Group expects all treaties to fall in the remaining bucket given that the reinsurer would not price to make a loss on a treaty.

1.6.2. Measurement

1.6.2.1. Recognition and derecognition including modifications

The initial recognition date and derecognition of insurance contracts are not areas of significant judgement for the Group.

1.6.2.2. Fulfilment cash flows

Various assumptions are used to determine the expected future cash flows of all portfolios of business. These assumptions are set based on recent experience on the portfolios.

Estimates of future cash flows

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Estimates of future cash flows incorporate in an unbiased way all reasonable and supportable information that is available without incurring undue cost or effort.

Contract boundaries

The determination of the contract boundary of an insurance contract is not an area of significant judgement for the Group. For reinsurance contracts held, the Group's agreements with reinsurers typically align with the underlying product and therefore the contract boundary aligns.

Expenses

The following expense cash flows are included within the boundary of a contract:

- Acquisition cash flows that relate to the selling, underwriting and starting of a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. This includes underwriting expenses, upfront commissions payable to intermediaries, and commissions payable in respect of policy changes; and
- Administration and other expense cash flows incurred in fulfilling the obligations under the insurance contracts, such as investment management expenses where relevant (see below for further details), claims handling costs, costs related to premium billing and maintenance commissions that are expected to be paid to intermediaries.

Both direct costs and an allocation of fixed and variable overheads are included. Attributable costs are determined using functional cost analysis techniques. The Group applies judgement by taking a broad view of attributable expenses where it is reasonable and supportable.

The other expenses relating to insurance operations, i.e. expenses not directly attributable to the fulfilment of insurance contracts such as some product development and training costs, are recognised in profit or loss as incurred and are not included in the measurement of insurance and reinsurance liabilities.

The allocation between acquisition and administration and other expense cash flows is based on functional cost analyses and reflects actual expenses incurred during 2023 financial year. The future expense assumptions do not include any cash flows that are not directly attributable to the fulfilment of the insurance contracts. An increase in unit expenses increases the estimates of future cash flows, therefore resulting in a decrease in the CSM (all else being equal).

Decrements

Assumptions with regard to future mortality and other risk factors are consistent with the Group's recent experience up to 31 December 2023. An increase in mortality rates increases the estimates of future cash flows, therefore resulting in a decrease in the CSM (all else being equal).

Surrender, lapse and paid-up rates are key assumptions in the measurement of life insurance contracts (risk and savings business). Assumptions with regard to future surrender, lapse and paid-up rates are based on the Group's recent experience up to 31 December 2023. An increase in surrender or lapse rates may increase or reduce the estimates of future cash flows, therefore resulting in a decrease or increase in the CSM depending on the specific product features (all else being equal).

Coverage units

Judgement is required in terms of what is used as coverage units.

The Group uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits. This will include the following:

- Sum Assured for the main life assured;
- Sum Assured for all other lives assured on a policy; and
- Sum Assured for all benefits on the policy, for example where a life assured is covered for multiple benefits such as death, disability, funeral etc.

The projection of the total value of the sum assured uses the same assumptions as those used for the projection of expected cash flows. In addition, where there are projected increases in benefits for annual contractual escalations, these are factored into the projected value of the coverage units.

The Group allows for the time value of money on the amortisation of the CSM.

For reinsurance contracts held, the CSM is released to profit or loss as services are received from the reinsurer in the period. The coverage period for these contracts is determined based on the coverage of all underlying contracts whose cash flows are included in the reinsurance contract boundary.

For the amortisation of the acquisition expenses, the number of contracts per portfolio are used, and also allow for decrements, in order to be consistent with the coverage units used for the CSM amortisation.

Economic assumptions

Each month, the Group downloads two yield curves from the PA's website, being the:

- Risk free curve; and
- Nominal curve.

All economic assumptions will be set using the above PA curves as the base, but with the following adjustments:

- The non-unit return curve is set as the risk free curve, and then subsequently allow for an LRP adjustment to the yield curve;
- The unit return curve is set as the risk free curve, with no adjustment for the LRP; and
- The inflation curve is the difference between the nominal curve and the real return curve.

The modelled expenses are inflated using these curves.

It should be noted that, based on the Group performing fully retrospective calculations back to 1 July 2018 only, PA curves are available for all years required for the transition calculations.

Interest accretion will happen on gross of tax rates for all portfolios.

The yield curve to be used for the interest accretion will be slightly different depending on whether this is for Transition or Business as Usual:

- Fully Retrospective Transition calculations will use the yield curve at the end of the period; and
- For Business as Usual calculations, the Group will use the weighted average locked in curve at the end of the relevant reporting period.

Investment guarantees

There is only a small portion of the Group's savings book of policies that have an investment guarantee. These products are no longer sold. Currently an APN110 reserve is calculated and included under IFRS 4. This APN110 will continue to be calculated in the same manner. To cater for this APN110 allowance, an adjustment will be made to the yield curve used to model these savings products.

Given that these products are no longer sold, they will be included under the Fair Value calculations for the Transition Balance Sheet. The Group has therefore determined an adjustment to the yield curve that sets the present value of the future profits to be reduced by the level of the APN110 reserve as at 30 June 2022.

The adjustment to the yield curve is an addition of 1.65%.

Risk adjustment for non-financial risk

The Board has created and approved the Risk management strategy which includes the risk tolerance statement and the explicit risk level the Group accepts when writing new business. The Risk appetite statement works on the principal that the Group would accept a maximum reduction of 30% in EV based on a 1 in 7-year (or 85% percentile) event. If the risk is greater than 30%, the Group would require additional risk premiums, or it will not accept the business. If the risk of a reduction in EV is significantly higher than 30% the Group would not be able to make its targeted profits and would look to decrease its accepted risk.

The main risk items in the Group's products are interest rate risk (excluded from risk adjustment), claims risk and persistency risk. By creating a Risk Adjustment measure using the claims risk and persistency risk explicitly the Group will cover all material non-financial risk. An allowance is also made for expense risk.

Operational risk is excluded from the Risk Adjustment.

The methodology for applying the Risk Adjustment is consistent between all approaches, being the GMM, the VFA and the PAA approaches.

1.6.2.3. Contractual service margin

Premium experience adjustments

The experience adjustments arising from premiums received (including related cash flows such as insurance acquisition cash flows) that do not vary based on the returns on underlying items, adjust the CSM if related to future service, or such amounts are recognised in insurance revenue in the reporting period if related to current (or past) service. The Group applies judgement to determine whether these experience adjustments are related to current (or past) or future service.

The premium-related experience adjustments typically relate to current (or past) service. Experience adjustments relating to premiums received for future coverage are an exception to this general rule. Such an example is where the premium experience adjustments have a direct impact on the value of future benefits payable to policyholders, resulting in the experience adjustments and the changes in the estimates of the future cash flows to largely offset when adjusting the CSM.

Loss recovery component (LRECC) for reinsurance contracts held

A LRECC is deducted from the CSM at initial recognition of a group of reinsurance contracts held when underlying onerous insurance contracts are recognised, with the resulting income recognised in profit or loss offsetting the losses recognised on the underlying insurance contracts for the portion of the underlying insurance contracts being reinsured. This adjustment to the CSM of a group of reinsurance contracts held and the resulting income, is determined by multiplying:

- The loss recognised on the underlying insurance contracts (or loss component(s) of the underlying insurance contracts); and
- The percentage of claims on the underlying insurance contracts the group expects to recover from the group of reinsurance contracts held (also referred to as the LRECC ratio).

The Group applies judgement in determining the LRECC ratio. The LRECC ratio is determined as the present value of the future expected claims and reinsurance cash flows of the group of reinsurance contracts held divided by the present value of the future expected premium cash flows of the underlying insurance contracts. Subsequent to the initial recognition of a group of reinsurance contracts held, the LRECC is adjusted for changes in estimates that relate to future service based on the corresponding adjustment to the loss component(s) of the underlying group(s) of insurance contracts and the reinsured portion of these underlying insurance contracts. The Group applies judgement to assess that any unfavourable changes in the FCF of underlying insurance contracts that are not reinsured do not adjust the LRECC, unless the impact is immaterial.

If a group of reinsurance contracts held is linked to multiple groups of underlying insurance contracts (which could include onerous and non-onerous groups of contracts), the LRECC ratio is estimated based on the overall claims recoveries for the group of reinsurance contracts held and the overall claims incurred for the underlying insurance groups, applied to the sum of the loss components of the underlying insurance groups (where relevant). This determination of the LRECC therefore estimates the portion of the losses on the underlying insurance contracts being recovered in the LRECC for reinsurance contracts held, by excluding the following impacts where relevant:

- The portion of the underlying insurance contracts that are not covered by the group of reinsurance contracts held; and
- The portion of the underlying insurance contracts that are not onerous.

Condensed Group Statement of Financial Position

(R'000's)	Notes	December 2023	December Restated 2022	June Restated 2023
Assets				
Owner-occupied properties[1]		424,170	414,220	422,668
Intangible assets		31,611	33,546	32,725
Property and equipment		53,262	44,290	44,871
Deferred tax[2]		167,486	112,902	199,789
Insurance contract assets	2	3,424,461	3,073,754	3,353,262
Reinsurance contract assets	3	68,388	74,959	59,514
Goodwill		8,412	6,882	8,412
Financial assets at fair value through profit or loss		7,849,477	11,042,836	10,953,097
Financial assets at amortised cost		15,251	–	271
Deferred acquisition cost		141,083	197,762	166,127
Inventories		3,479	5,285	4,320
Trade receivables		5,025	46,456	57,758
Current tax receivable		8,819	1,491	1,772
Cash and cash equivalents		281,624	275,836	249,540
Total assets		12,482,548	15,330,219	15,554,126
Total equity and reserves		3,311,557	3,192,675	3,575,315
Liabilities				
Deferred tax		909,519	841,475	916,016
Financial liabilities held at amortised cost		132,301	218,824	150,741
Insurance contract liabilities	2	493,210	430,839	473,844
Reinsurance contract liabilities	3	4,176	804	4,270
Investment contract liabilities		6,997,674	9,891,978	9,747,434
Loans at amortised cost		195,638	100,000	100,000
Financial Guarantee Liability[3]		2,000	2,000	2,000
Deferred revenue		309,800	320,966	359,862
Employee benefits		52,398	47,203	88,800
Accruals and payables		67,528	267,664	123,296
Current tax		6,747	15,791	12,548
Total liabilities		9,170,991	12,137,544	11,978,811
Total equity and liabilities		12,482,548	15,330,219	15,554,126

1. Owner-occupied properties are disclosed at level 3 in the fair value measurement hierarchy.
2. Deferred tax includes R150 million (2022: R103.1 million) in respect of tax losses which are now expected to be utilised in the foreseeable future related to Clientèle Life's IPF as a result of single premium business. (Refer to estimates and judgements note on page 19 and the tax note on page 46).
3. The financial guarantee liability is in respect of guarantees issued. (Refer to the Capital and Other Commitments note on page 48).

Condensed Group Statement of Comprehensive Income

(R'000's)	Notes	Six months ended 31 December 2023 Actual	Restated 2022 Actual	% Change
Result from insurance operations		195,168	234,027	(17)
Insurance service result		131,842	118,626	11
Insurance revenue	4	972,458	1,019,376	
Insurance service expenses	4	(838,850)	(900,861)	
(Expense)/income from reinsurance contracts	4	(1,766)	111	
Net financial result (excluding investment return)		63,326	115,401	(45)
Insurance finance income or (expense)	4	59,799	112,623	
Reinsurance finance income or (expense)	4	3,527	2,778	
Results from Other Operations		72,286	75,846	
Revenue from contracts with customers		174,372	175,656	(1)
Cost of Sales		(20,537)	(18,039)	
Other income		6,695	(768)	
Investment surpluses		7,985	17,138	
Fair value adjustment to financial assets at fair value through profit or loss		516,194	276,001	
Fair value adjustment to financial liabilities at fair value through profit or loss		(424,000)	(185,873)	
Finance cost on financial liabilities at amortised cost		(4,990)	(8,344)	
Movement in expected credit loss		308	1,544	
Operating expenses		(183,741)	(181,469)	(1)
Net Operating Results		267,454	309,873	(14)
Interest expense		(13,250)	(4,128)	
Net Profit before tax		254,205	305,745	(17)
Tax	5	(95,138)	(60,971)	
Net Profit for the period		159,067	244,774	(35)
Attributable to:				
Non-Controlling interest		1,675	1,366	
Equity holders of the Group – ordinary shareholders		157,392	243,408	
Net Profit for the period		159,067	244,774	(35)
Total comprehensive income for the period		159,067	244,774	
Attributable to:				
Non-Controlling interest		1,675	1,366	
Equity holders of the Group – ordinary shareholders		157,392	243,408	
Earnings and Headline earnings per share (cents)		46.94	72.59	(35)
Diluted Earnings per share (cents)		46.92	72.51	(35)

Condensed Group Statement of Changes in Equity

(R'000's)	Share capital	Share premium	Common control deficit	Sub-total
Balance as at 1 July 2022	6,706	389,135	(220,273)	175,568
Ordinary dividends				–
Total comprehensive income	–	–	–	–
– Net profit for the period	–	–	–	–
– Other comprehensive income/(expense)	–	–	–	–
Shares issued	–	–	–	–
Bonus Rights Scheme allocated	–	–	–	–
Balance as at 31 December 2022	**6,706**	**389,135**	**(220,273)**	**175,568**
Balance as at 1 January 2023	6,706	389,135	(220,273)	175,568
Ordinary dividends				–
Total comprehensive income	–	–	–	–
– Net profit for the period	–	–	–	–
– Other comprehensive income/(expense)	–	–	–	–
Shares issued	–	–	–	–
Bonus Rights Scheme allocated	–	–	–	–
Balance as at 30 June 2023	**6,706**	**389,135**	**(220,273)**	**175,568**
Balance as at 1 July 2023	**6,706**	**389,135**	**(220,273)**	**175,568**
Ordinary dividends				
Total comprehensive income	**–**	**–**	**–**	**–**
– Net profit for the period	**–**	**–**	**–**	**–**
– Other comprehensive income/(expense)	**–**	**–**	**–**	**–**
Shares issued	**–**	**80**	**–**	**80**
Bonus Rights Scheme allocated	**–**	**–**	**–**	**–**
Non-controlling interest – Direct Rewards	**–**	**–**	**–**	**–**
Balance as at 31 December 2023	**6,706**	**389,215**	**(220,273)**	**175,648**

(R'000's)	Retained earnings	Bonus Rights Scheme Reserve[1]	Non-distributable reserves: Non-controlling interest	Non-distributable reserves: revaluation	Total
Balance as at 1 July 2022	821,112	25,362	–	55,422	1,077.464
IFRS 17 Transition Adjustment	2,271,353	–	–	–	2,271,353
Restated Balance as at 1 July 2022	3,092,465	25,362	–	55,422	3,348,817
Ordinary dividends	(402,386)	–	–		(402,386)
Total comprehensive income	243,408	–	1,366	–	244,774
– Net profit for the period	243,408	–	1,366	–	244,774
– Other comprehensive income	–	–	–	–	–
Shares issued					
Bonus Rights Scheme allocated	–	832	–	–	832
Non-controlling interest – Direct Rewards	(1,343)	–	1,981	–	638
Balance as at 31 December 2022	**2,932,144**	**26,194**	**3,347**	**55,422**	**3,192,675**
Balance as at 1 January 2023	2,932,144	26,194	3,347	55,422	3,192,675
Ordinary dividends					
Total comprehensive income	376,635	–	993	5,176	382,804
– Net profit for the period	376,635	–	993	–	377,628
– Other comprehensive income/(expense)	–	–	–	5,176	5,176
Shares issued					
Bonus Rights Scheme allocated	**–**	1,100	–	–	1,100
Non-controlling interest – Direct Rewards	–	–	(1,264)	–	(1,264)
Balance as at 30 June 2023	**3,308,779**	**27,294**	**3,076**	**60,598**	**3,575,315**
Balance as at 1 July 2023	**3,308,779**	**27,294**	**3,076**	**60,598**	**3,575,315**
Ordinary dividends	**(422,152)**				**(422,152)**
Total comprehensive income	**157,392**	**–**	**1,675**	**–**	**159,067**
– Net profit for the period	**157,392**	**–**	**1,675**	**–**	**159,067**
– Other comprehensive income/(expense)	**–**	**–**	**–**	**–**	**–**
Adjustment to NCI for prior period	**–**	**–**	**(638)**	**–**	**(638)**
Shares issued[2]	**–**	**–**	**–**	**–**	**80**
Bonus Right scheme allocated	**–**	**1,355**	**–**	**–**	**1,355**
Non-controlling interest – Direct Rewards	**–**	**–**	**(1,470)**	**–**	**(1,470)**
Balance as at 31 December 2023	**3,044,019**	**28,649**	**2,643**	**60,598**	**3,311,557**

1. Bonus Rights Scheme – the Clientèle Limited Bonus Rights Scheme.
2. 7,452 shares (2022: Nil) were issued during the period in terms of the Bonus Rights Scheme.

Condensed Group Statement of Cash Flows

(R'000's)	Six months ended 31 December 2023	Six months ended 31 December Restated 2022	Year-ended Restated 30 June 2023
Profit before tax	**254,205**	305,745	752,183
Adjusted for non-cash items	**(399,319)**	(440,442)	(1,016,836)
Separately disclosable items	**(53,594)**	(54,610)	(109,840)
Working capital changes	**196,233**	600,076	818,240
Net (decrease)/increase in financial liabilities	**(3,187,381)**	1,644,115	1,060,020
Net disposal/(acquisition) of financial assets	**3,619,840**	(1,828,279)	(1,250,675)
Cash generated from operations	**429,984**	226,605	253,092
Interest received	**36,262**	35,217	74,933
Dividends received	**17,333**	19,393	34,907
Dividends paid	**(422,152)**	(402,749)	(402,749)
Taxation paid	**(82,181)**	(88,514)	(173,193)
Cash flows from operating activities	**(20,754)**	(210,048)	(213,010)
Acquisition of intangible assets	**(5,287)**	(4,283)	(10,923)
Acquisition of property and equipment	**(15,099)**	(7,285)	(14,236)
Acquisition of owner-occupied properties	**(1,503)**	(1,902)	(3,603)
Proceeds from disposal of property and equipment, and intangible assets	**–**	27	13
Additions to financial assets at amortised cost	**(15,000)**	–	(300)
Repayment of financial assets at amortised cost	**120**	2,500	2,500
Net cash for the acquisition of 15.9% share in Direct Rewards	**–**	(1,045)	(2,575)
Cash flows from investing activities	**(36,769)**	(11,988)	(29,124)
Proceeds from issuing of shares	**80**	–	–
Proceeds from loans at amortised cost	**95,638**	–	–
Repayment of loans at amortised cost	**(6,111)**	(4,128)	(10,326)
Cash flows from financing activities	**89,607**	(4,128)	(10,326)
Increase in cash and cash equivalents	**32,084**	(226,164)	(252,460)
Cash and cash equivalents at beginning of year	**249,540**	502,000	502,000
Cash and cash equivalents at end of period	**281,624**	**275,836**	**249,540**

Segment Statement of Financial Position

(R'000's)	Life insurance	Non-life insurance	CBC Rewards, Mobile & Direct Rewards	Holding Entity and Properties	Consoli-dation entries	Total
December 2023						
Assets						
Owner-occupied properties	–	–	–	424,170	–	424,170
Intangible assets	19,796	1,592	10,215	10	(2)	31,611
Property and equipment	140,266	44,133	122	12,093	(143,352)	53,262
Deferred tax	150,017	4,747	18,036		(5,314)	167,486
Insurance contract assets	3,424,461	–	–	–	–	3,424,461
Reinsurance contract assets	68,388		–	–	–	68,388
Goodwill	–	–	–	–	8,412	8,412
Financial assets at fair value through profit or loss	7,575,015	255,823	–	18,639	–	7,849,477
Financial assets at amortised cost	15,251	–	–	–	–	15,251
Deferred acquisition cost	141,083	–		–	–	141,083
Inventories	62	–	3,417	–	–	3,479
Investment in subsidiaries	96,316	–	–	313,730	(410,046)	–
Trade receivables	225,527	4,014	16,938	100,144	(341,598)	5,025
Current tax receivable	8,115	–	23	681	–	8,819
Cash and cash equivalents	199,207	37,591	3,948	40,878	–	281,624
Total assets	12,063,504	347,900	52,699	910,345	(891,900)	12,482,548
Total equity and reserves	2,944,292	238,153	(45,281)	499,908	(325,515)	3,311,557
Liabilities						
Lease liabilities	190,898	72,284	–	–	(263,182)	–
Deferred tax	888,062	–	–	21,457	–	909,519
Financial liabilities held at amortised cost	132,301	–	–	–	–	132,301
Insurance contract liabilities	482,164	11,046	–	–	–	493,210
Reinsurance contract liabilities	4,176	–	–	–	–	4,176
Investment contract liabilities	6,997,674	–	–	–	–	6,997,674
Loans at amortised cost	–	–	–	195,638	–	195,638
Financial Guarantee Liability	–	–	–	2,000	–	2,000
Deferred revenue	309,800	–	–	–	–	309,800
Employee benefits	43,722	8,676	–	–	–	52,398
Accruals and payables	70,415	17,718	97,980	191,342	(309,927)	67,528
Current tax	–	23	–	–	6,724	6,747
Total liabilities	9,119,212	109,747	97,980	410,437	(566,385)	9,170,991
Total equity and liabilities	12,063,504	347,900	52,699	910,345	(891,900)	12,482,548

Segment Statement of Financial Position *continued*

(R'000's)	Life insurance	Non-life insurance	CBC Rewards, Mobile & Direct Rewards	Holding Entity and Properties	Consoli-dation entries	Total
December 2022 Restated						
Assets						
Owner-occupied properties	–	–	–	414,220	–	414,220
Intangible assets	22,043	1,588	9,903	13	(1)	33,546
Property and equipment	147,511	45,225	1,146	13,089	(162,681)	44,290
Deferred tax	103,081	6,433	7,770	–	(4,382)	112,902
Insurance contract assets	3,073,754	–	–	–	–	3,073,754
Reinsurance contract assets	74,959	–	–	–	–	74,959
Goodwill	–	–	–	–	6,882	6,882
Financial assets at fair value through profit or loss	10,735,051	252,578	–	55,207	–	11,042,836
Financial assets at amortised cost	–	–	–	–	–	–
Deferred acquisition cost	197,762	–	–	–	–	197,762
Inventories	80	–	5,205	–	–	5,285
Investment in subsidiaries	95,866	–	–	311,275	(407,141)	–
Trade receivables	296,052	2,030	12,984	71,790	(336,400)	46,456
Current tax receivable	–	146	94	1,251	–	1,491
Cash and cash equivalents	223,604	32,147	1,112	18,973	–	275,836
Total assets	14,969,763	340,147	38,214	885,818	(903,723)	15,330,219
Total equity and reserves	2,825,868	217,113	(21,973)	495,638	(323,971)	3,192,675
Liabilities						
Lease liabilities	192,673	72,884	–	–	(265,557)	–
Deferred tax	825,331	–	–	16,144	–	841,475
Financial liabilities held at amortised cost	218,824	–	–	–	–	218,824
Insurance contract liabilities	416,493	14,346	–	–	–	430,839
Reinsurance contract liabilities	804	–	–	–	–	804
Investment contract liabilities	9,891,978	–	–	–	–	9,891,978
Loans at amortised cost	–	–	–	100,000	–	100,000
Financial Guarantee Liability	–	–	–	2,000	–	2,000
Deferred revenue	320,966	–	–	–	–	320,966
Employee benefits	37,817	9,386	–	–	–	47,203
Accruals and payables	227,868	26,418	60,187	272,036	(318,845)	267,664
Current tax	11,141	–	–	–	4,650	15,791
Total liabilities	12,143,895	123,034	60,187	390,180	(579,752)	12,137,544
Total equity and liabilities	14,969 763	340,147	38,214	885,818	(903,723)	15,330,219

(R'000's)	Life insurance	Non-life insurance	CBC Rewards, Mobile & Direct Rewards	Holding Entity and Properties	Consoli-dation entries	Total
June 2023 Restated						
Assets						
Owner-occupied properties	–	–	–	422,668	–	422,668
Intangible assets	20,448	1,618	10,648	12	(1)	32,725
Property and equipment	141,232	42,521	153	13,982	(153,017)	44,871
Deferred tax	181,460	7,326	11,003	–	-	199,789
Insurance contract assets	3,353,262	–	–	–	–	3,353,262
Reinsurance contract assets	59,514	–	–	–	–	59,514
Goodwill	–	–	–	–	8,412	8,412
Financial assets at fair value through profit or loss	10,635,161	265,290	–	52,646	–	10,953,097
Financial assets at amortised cost	271	–	–	–	–	271
Deferred acquisition cost	166,127	–	–	–	–	166,127
Inventories	99	–	4,221	–	–	4,320
Investment in subsidiaries	94,559	–	–	312,375	(406,934)	–
Trade receivables	326,026	40,272	12,744	11,456	(332,740)	57,758
Current tax receivable	–		146	1,626	–	1,772
Cash and cash equivalents	180,619	34,043	5,593	29,285	–	249,540
Total assets	15,158,778	391,070	44,508	844,050	(884,280)	15,554,126
Total equity and reserves	3,166,705	255,942	(26,018)	500,417	(321,731)	3,575,315
Liabilities						
Lease liabilities	192,456	72,839	–	–	(265,295)	–
Deferred tax	892,097	–	–	20,712	3,207	916,016
Financial liabilities held at amortised cost	150,741	–	–	–	–	150,741
Insurance contract liabilities	453,989	19,855	–	–	–	473,844
Reinsurance contract liabilities	4,270	–	–	–	–	4,270
Investment contract liabilities	9,747,434	–	–	–	–	9,747,434
Loans at amortised cost	–	–	–	100,000	–	100,000
Financial Guarantee Liability	–	–	–	2,000	–	2,000
Deferred revenue	359,862	–	–	–	–	359,862
Employee benefits	74,930	13,870	–	–	–	88,800
Accruals and payables	112,808	26,152	70,526	220,921	(307,111)	123,296
Current tax	3,486	2,412	–	–	6,650	12,548
Total liabilities	11,992,073	135,128	70,526	343,633	(562,549)	11,978,811
Total equity and liabilities	15,158,778	391,070	44,508	844,050	(884,280)	15,554,126

Segment Statements of Comprehensive Income

(R'000's)	Life insurance	Non-life insurance	CBC Rewards, Mobile & Direct Rewards	Holding Entity and Properties	Consoli-dation entries	Total
31 December 2023						
Result from insurance operations	126,085	69,083	–	–	–	195,168
Insurance service result	62,530	69,312	–	–	–	131,842
Insurance revenue	717,269	255,189	–	–	–	972,458
Insurance service expenses	(652,973)	(185,877)	–	–	–	(838,850)
Expenses from reinsurance contracts	(1,766)	–	–	–	–	(1,766)
Net financial result (excluding investment return)	63,554	(228)	–	–	–	63,326
Insurance finance income or (expense)	60,027	(228)	–	–	–	59,799
Reinsurance finance income or expense	3,527	–	–	–	–	3,527
Results from Other Operations	106,922	7,801	(22,258)	425,008	(445,197)	72,286
Revenue from contracts with customers	115,441	–	58,931	–	–	174,372
Cost of sales	–	–	(20,537)	–	–	(20,537)
Other income	1,827	51	11,131	38,246	(44,560)	6,695
Dividend income from subsidiaries	–	–	–	420,682	(420,682)	–
Fair value adjustments to financial assets at fair value through profit or loss	506,465	11,962	–	(4,663)	2,430	516,194
Investment surpluses	6,075	1,623	137	150	–	7,985
Fair value adjustment to financial liabilities at fair value through profit or loss	(424,000)	–	–	–	–	(424,000)
Finance cost on financial liabilities at amortised cost	(4,990)	–	–	–	–	(4,990)
Movement in expected credit loss	308	–	–	–	–	308
Operating expenses	(94,194)	(5,835)	(71,920)	(29,407)	17,615	(183,741)
Net operating results	233,017	76,884	(22,258)	425,008	(445,197)	267,454
Interest expense	(25,046)	(6,882)	–	(6,111)	24,789	(13,250)
Net profit/(loss) before tax for the period	207,972	70,002	(22,258)	418,898	(420,408)	254,204
Tax	(82,442)	(17,890)	6,009	(1,689)	874	(95,138)
Net profit/(loss) for the period	125,530	52,112	(16,249)	417,208	(419,534)	159,067
Net profit/(loss) for the period attributable to:						
Non-controlling interest	–	–	–	–	1,675	1,675
Equity holders of the Group – ordinary shareholders	125,530	52,112	(16,249)	417,208	(421,209)	157,392

(R'000's)	Life insurance	Non-life insurance	CBC Rewards, Mobile & Direct Rewards	Holding Entity and Properties	Consoli-dation entries	Total
31 December 2022						
Result from insurance operations	183,184	50,843	–	–	–	234,027
Insurance service result	67,572	51,054	–	–	–	118,626
Insurance revenue	772,211	247,165	–	–	–	1,019,376
Insurance service expenses	(704,750)	(196,111)	–	–	–	(900,861)
Income or expense from reinsurance contracts	111	–	–	–	–	111
Net financial result (excluding investment return)	115,612	(211)	–	–	–	115,401
Insurance finance income or (expense)	112,834	(211)	–	–	–	112,623
Reinsurance finance income or expense	2,778	–	–	–	–	2,778
Results from Other Operations	79,972	11,681	(153)	415,026	(430,680)	75,846
Revenue from contracts with customers	127,178	–	48,478	–	–	175,656
Cost of sales	–	–	(18,039)	–	–	(18,039)
Other income	1,137	27	3,123	36,933	(41,988)	(768)
Dividend income from subsidiaries	–	–	–	402,386	(402,386)	–
Fair value adjustments to financial assets at fair value through profit or loss	265,397	15,049	–	(5,248)	803	276,001
Investment surpluses	15,342	1,168	48	580	–	17,138
Fair value adjustment to financial liabilities at fair value through profit or loss	(185,873)	–	–	–	–	(185,873)
Finance cost on financial liabilities at amortised cost	(8,344)	–	–	–	–	(8,344)
Movement in expected credit loss	1,544	–	–	–	–	1,544
Operating expenses	(136,409)	(4,563)	(33,763)	(19,625)	12,891	(181,469)
Net operating results	263,156	62,524	(153)	415,026	(430,680)	309,873
Interest expense	(17,990)	(6,908)	–	(4,127)	24,897	(4,128)
Net profit/(loss) before tax for the period	245,166	55,616	(153)	410,889	(405,783)	305,745
Tax	(46,811)	(12,577)	72	(1,059)	(596)	(60,971)
Net profit/(loss) for the period	198,355	43,039	(81)	409,840	(406,379)	244,774
Net profit/(loss) for the period attributable to:						
Non-controlling interest	–	–	–	–	1,366	1,366
Equity holders of the Group – ordinary shareholders	198,355	43,039	(81)	409,840	(407,745)	243,408

Notes to the condensed consolidated interim financial statements

ADOPTION OF NEW STANDARDS AND RESTATEMENTS

1. Adoption of IFRS 17

The Group adopted IFRS 17 for the first time on 1 July 2022. IFRS 17 supersedes IFRS 4. In line with the transitional requirements, the Group applied IFRS 17 retrospectively as if it had always been applied unless it was “impracticable” to do so, in which case the fair value approach was applied, provided certain criteria have been met.

The product features of certain recurring premium savings policies are disaggregated between insurance risk and investment components. Insurance risk components are reported in line with IFRS 17, and investment components as financial liabilities as defined in IFRS 9. The DAC is calculated by capitalising commission paid on recurring premium savings policies and amortised over a three-year period. The classification and measurement change has no implication on the total profit generated by the product over the life of the product but impacts the financial year-end in which the profits are recognised.

1. RESTATEMENT

The insurance entities that have been impacted by IFRS 17 within the Group are Clientèle Life and Clientèle General.

	Group						Group		
	30 June 2023			31 December 2022			30 June 2022		1 July 2022
(R000's)	As previously reported	Re-statements	Restated	As previously reported	Re-statements	Restated	As previously reported	Re-statements	Restated
Assets									
Owner-occupied property	422,667	–	422,667	414,220	–	414,220	412,318	–	412,318
Investment in associate	–	–	–	–	–	–	5,837	–	5,837
Intangible assets	32,725	–	32,725	33,546	–	33,546	43,165	–	43,165
Property and equipment	44,871	–	44,871	44,290	–	44,290	43,689	–	43,689
Deferred tax	204,322	(4,533)	199,789	123,190	(10,288)	112,902	109,559	18,755	128,314
Goodwill	8,412	–	8,412	6,882	–	6,882	–	–	–
Insurance contract assets	–	3,353,262	3,353,262	–	3,073,754	3,073,754	–	2,882,300	2,882,300
Reinsurance contract assets	–	59,514	59,514	11,106	63,853	74,959	84,178	(19,208)	64,970
Financial assets at fair value through profit or loss	10,953,097	–	10,953,097	11,042,836	–	11,042,836	9,198,483	–	9,198,483
Financial assets at amortised cost	272	–	272	–	–	–	27,357	–	27,357
Deferred acquisition cost	164,930	1,197	166,127	–	197,762	197,762	109,559	1,432	110,991
Inventories	4,320	–	4,320	5,285	–	5,285	5,037	–	5,037
Trade receivables	70,723	(12,695)	57,758	79,529	(33,073)	46,456	70,377	(26,714)	43,663
Current tax receivables	2,021	(249)	1,772	1,442	49	1,491	–	–	–
Cash and cash equivalents	249,540	–	249,540	275,836	–	275,836	502,000	–	502,000
Total assets	12,157,900	3,396,226	15,554,126	12,038,162	3,292,057	15,330,219	10,611,559	2,856,565	13,468,124
Total equity and reserves	1,172,962	2,402,353	3,575,315	995,922	2,196,753	3,192,675	1,077,464	2,271,346	3,348,810
Liabilities									
Deferred tax	31,976	884,040	916,016	39,266	802,209	841,475	16,962	858,842	875,804
Financial liabilities held at amortised cost	150,742	(1)	150,741	218,824	–	218,824	215,443	–	215,443
Insurance contract liabilities	482,061	(8,217)	473,844	565,494	(134,655)	430,839	773,662	(365,265)	408,397
Reinsurance contract liabilities	–	4,270	4,270	–	804	804	–	480	480
Investment contract liabilities	9,613,919	133,515	9,747,434	9,612,626	279,352	9,891,978	7,962,867	130,523	8,093,390
Loans at amortised cost	100,000	–	100,000	100,000	–	100,000	100,000	–	100,000
Financial guarantee liability	2,000	–	2,000	2,000	–	2,000	2,000	–	2,000
Deferred revenue	359,862	–	359,862	–	320,966	320,966	210,491	–	210,491
Employee benefits	88,800	–	88,800	47,203	–	47,203	77,708	–	77,708
Accruals and payables	142,870	(19,574)	123,296	442,289	(174,625)	267,664	152,038	(39,361)	112,677
Current tax	12,708	(160)	12,548	14,538	1,253	15,791	22,924	–	22,924
Total liabilities	10,984,938	993,873	11,978,811	11,042,240	1,095,304	12,137,544	9,534,095	585,219	10,119,314
Total equity and liabilities	12,157,900	3,396,226	15,554,126	12,038,162	3,292,057	15,330,219	10,611,559	2,856,585	13,468,124

2. ANALYSIS OF NET INSURANCE CONTRACT CARRYING AMOUNT

Analysis per line of business and valuation method

		Liability for remaining coverage				Incurred claims			Analysis of liability for remaining coverage		
(R000's)	Total	Subtotal	Best estimate of future cash flows	Risk adjustment	Contractual service margin	Subtotal	Best estimate of future cash flows	Risk adjustment	Total	Excluding loss component	Loss component
31 December 2023											
Life insurance – Risk business	(3,438,248)	(3,472,685)	(5,587,254)	597,341	1,517,228	34,437	34,410	27	(3,472,685)	(4,192,907)	710,222
Premium allocation approach	164	–	–	–	–	164	137	27	–	–	–
General model	(3,438,412)	(3,472,685)	(5,587,254)	597,341	1,517,228	34,273	34,273	–	(3,472,685)	(4,192,907)	710,222
Life insurance – Savings business											
Variable fee approach	495,951	495,373	447,759	29,615	17,999	578	578	–	495,373	439,353	56,020
Non-life insurance											
Premium allocation approach	11,046	4,076	4,076	–	–	6,970	6,574	396	4,076	4,076	–
Net insurance carrying amount	(2,931,251)	(2,973,236)	(5,135,419)	626,956	1,535,227	41,985	41,562	423	(2,973,236)	(3,739,478)	766,242
Premium allocation approach	11,210	4,076	4,076	–	–	7,134	6,711	423	4,076	4,076	–
General model	(3,438,412)	(3,472,685)	(5,587,254)	597,341	1,517,228	34,273	34,273	–	(3,472,685)	(4,192,907)	710,222
Variable fee approach	495,951	495,373	447,759	29,615	17,999	578	578	–	495,373	439,353	56,020
Net insurance contract carrying amount	(2,931,251)	(2,973,236)	(5,135,419)	626,956	1,535,227	41,985	41,562	423	(2,973,236)	(3,739,478)	766,242
Insurance contract liability balances	493,210	463,533	413,359	29,898	20,276	29,677	29,254	423	463,533	407,095	56,438
Insurance contract asset balances	(3,424,461)	(3,436,769)	(5,548,778)	597,058	1,514,951	12,308	12,308	–	(3,436,769)	(4,146,573)	709,804
Net insurance contract carrying amount	(2,931,251)	(2,973,236)	(5,135,419)	626,956	1,535,227	41,985	41,562	423	(2,973,326)	(3,739,478)	766,242

2. ANALYSIS OF NET INSURANCE CONTRACT CARRYING AMOUNT *continued*

Analysis per line of business and valuation method *continued*

(R000's)	Total	Liability for remaining coverage Subtotal	Best estimate of future cash flows	Risk adjustment	Contractual service margin	Incurred claims Subtotal	Best estimate of future cash flows	Risk adjustment	Analysis of liability for remaining coverage Total	Excluding loss component	Loss component
30 June 2023											
Life insurance – Risk business	(3,347,204)	(3,378,847)	(5,310,606)	571,413	1,360,346	31,643	31,613	30	(3,378,847)	(4,082,378)	703,531
Premium allocation approach	180	–	–	–	–	180	150	30	–	–	–
General model	(3,347,384)	(3,378,847)	(5,310,606)	571,413	1,360,346	31,463	31,463	–	(3,378,847)	(4,082,378)	703,531
Life insurance – savings business											
Variable fee approach	447,931	447,086	336,357	32,200	78,529	845	845	–	447,086	406,879	40,207
Non-life insurance											
Premium allocation approach	19,855	12,362	12,362	–	–	7,493	7,072	421	12,362	12,362	–
Net insurance carrying amount	**(2,879,418)**	**(2,919,399)**	**(4,961,887)**	**603,613**	**1,438,875**	**39,981**	**39,530**	**451**	**(2,919,399)**	**(3,663,137)**	**743,738**
Premium allocation approach	20,035	12,362	12,362	–	–	7,673	7,222	451	12,362	12,362	–
General model	(3,347,384)	(3,378,847)	(5,310,606)	571,413	1,360,346	31,463	31,463	–	(3,378,847)	(4,082,378)	703,531
Variable fee approach	447,931	447,086	336,357	32,200	78,529	845	845	–	447,086	406,879	40,207
Net insurance contract carrying amount	**(2,879,418)**	**(2,919,399)**	**(4,961,887)**	**603,613**	**1,438,875**	**39,981**	**39,530**	**451**	**(2,919,399)**	**(3,663,137)**	**743,738**
Insurance contract liability balances	473,844	443,137	330,071	32,503	80,563	30,707	30,256	451	443,137	402,412	40,725
Insurance contract asset balances	(3,353,262)	(3,362,536)	(5,291,958)	571,110	1,358,312	9,274	9,274	–	(3,362,536)	(4,065,549)	703,013
Net insurance contract carrying amount	**(2,879,418)**	**(2,919,399)**	**(4,961,887)**	**603,613**	**1,438,875**	**39,981**	**39,530**	**451**	**(2,919,399)**	**(3,663,137)**	**743,738**

2. ANALYSIS OF NET INSURANCE CONTRACT CARRYING AMOUNT *continued*

Analysis per line of business and valuation method *continued*

(R000's)	Total	Liability for remaining coverage: Subtotal	Best estimate of future cash flows	Risk adjustment	Contractual service margin	Incurred claims: Subtotal	Best estimate of future cash flows	Risk adjustment	Analysis of liability for remaining coverage: Total	Excluding loss component	Loss component
31 December 2022											
Life insurance – Risk business	(3,061,079)	(3,111,067)	(5,173,765)	567,033	1,495,665	49,988	49,911	77	(3,111,067)	(3,746,361)	635,294
Premium allocation approach	504	42	42	–	–	462	385	77	42	42	–
General model	(3,061,583)	(3,111,109)	(5,173,807)	567,033	1,495,665	49,526	49,526	–	(3,111,109)	(3,746,403)	635,294
Life insurance – savings business											
Variable fee approach	403,818	401,696	284,540	35,043	82,113	2,122	2,122	–	401,696	381,954	19,742
General insurance											
Premium allocation approach	14,346	3,756	3,756	–	–	10,590	9,972	618	3,756	3,756	–
Net insurance carrying amount	**(2,642,915)**	**(2,705,615)**	**(4,885,469)**	**602,076**	**1,577,778**	**62,700**	**62,005**	**695**	**(2,705,615)**	**(3,360,651)**	**655,036**
Premium allocation approach	14,850	3,798	3,798	–	–	11,052	10,357	695	3,798	3,798	–
General model	(3,061,583)	(3,111,109)	(5,173,807)	567,033	1,495,665	49,526	49,526	–	(3,111,109)	(3,746,403)	635,294
Variable fee approach	403,818	401,696	284,540	35,043	82,113	2,122	2,122	–	401,696	381,954	19,742
Net insurance contract carrying amount	**(2,642,915)**	**(2,705,615)**	**(4,885,469)**	**602,076**	**1,577,778**	**62,700**	**62,005**	**695**	**(2,705,615)**	**(3,360,651)**	**655,036**
Insurance contract liability balances	430,839	384,860	265,683	35,314	83,863	45,979	45,284	695	384,860	364,790	20,070
Insurance contract asset balances	(3,073,754)	(3,090,475)	(5,151,152)	566,762	1,493,915	16,721	16,721	–	(3,090,475)	(3,725,441)	634,966
Net insurance contract carrying amount	**(2,642,915)**	**(2,705,615)**	**(4,885,469)**	**602,076**	**1,577,778**	**62,700**	**62,005**	**695**	**(2,705,615)**	**(3,360,651)**	**655,036**

3. REINSURANCE CONTRACT CARRYING AMOUNT

Analysis of net reinsurance contract carrying amount

Analysis per line of business and valuation method

		Remaining coverage component				Incurred claims component		Remaining coverage component		
(R000's)	Total	Subtotal	Best estimate of future cash flows	Risk adjustment	Contractual service margin	Subtotal	Best estimate of future cash flows	Subtotal	Excluding loss-recovery component	Loss-recovery component
31 December 2023										
Life insurance – Risk business	(64,212)	(43,598)	168,346	(87,502)	(124,442)	(20,614)	(20,614)	(43,598)	18,732	(62,330)
Premium allocation approach	–	–	–	–	–	–	–	–	–	–
General model	(64,212)	(43,598)	168,346	(87,502)	(124,442)	(20,614)	(20,614)	(43,598)	18,732	(62,330)
Net insurance carrying amount	(64,212)	(43,598)	168,346	(87,502)	(124,442)	(20,614)	(20,614)	(43,598)	18,732	(62,330)
Premium allocation approach	–	–	–	–	–	–	–	–	–	–
General model	(64,212)	(43,598)	168,346	(87,502)	(124,442)	(20,614)	(20,614)	(43,598)	18,732	(62,330)
Net insurance contract carrying amount	(64,212)	(43,598)	168,346	(87,502)	(124,442)	(20,614)	(20,614)	(43,598)	18,732	(62,330)
Reinsurance contract liability balances	4,176	5,156	53,562	(16,913)	(31,493)	(980)	(980)	5,156	8,389	(3,233)
Reinsurance contract asset balances	(68,388)	(48,754)	114,784	(70,589)	(92,949)	(19,634)	(19,634)	(48,754)	10,343	(59,097)
Net insurance contract carrying amount	(64,212)	(43,598)	168,346	(87,502)	(124,442)	(20,614)	(20,614)	(43,598)	18,732	(62,330)
30 June 2023										
Life insurance – Risk business	(55,244)	(41,470)	161,160	(83,106)	(119,524)	(13,774)	(13,774)	(41,470)	18,720	(60,190)
Premium allocation approach	(155)	–	–	–	–	(155)	(155)	–	–	–
General model	(55,089)	(41,470)	161,160	(83,106)	(119,524)	(13,619)	(13,619)	(41,470)	18,720	(60,190)
Net insurance carrying amount	(55,244)	(41,470)	161,160	(83,106)	(119,524)	(13,774)	(13,774)	(41,470)	18,720	(60,190)
Premium allocation approach	(155)	–	–	–	–	(155)	(155)	–	–	–
General model	(55,089)	(41,470)	161,160	(83,106)	(119,524)	(13,619)	(13,619)	(41,470)	18,720	(60,190)
Net insurance contract carrying amount	(55,244)	(41,470)	161,160	(83,106)	(119,524)	(13,774)	(13,774)	(41,470)	18,720	(60,190)
Reinsurance contract liability balances	4,270	4,628	47,979	(11,476)	(31,875)	(358)	(358)	4,628	7,205	(2,577)
Reinsurance contract asset balances	(59,514)	(46,098)	113,181	(71,630)	(87,649)	(13,416)	(13,416)	(46,098)	11,515	(57,613)
Net insurance contract carrying amount	(55,244)	(41,470)	161,160	(83,106)	(119,524)	(13,774)	(13,774)	(41,470)	18,720	(60,190)
31 December 2022										
Life insurance – Risk business	(74,155)	(52,231)	176,507	(106,330)	(122,408)	(21,924)	(21,924)	(52,231)	16,395	(68,626)
Premium allocation approach	(187)	(19)	(19)	–	–	(168)	(168)	(19)	(19)	–
General model	(73,968)	(52,212)	176,526	(106,330)	(122,408)	(21,756)	(21,756)	(52,212)	16,414	(68,626)
Net insurance carrying amount	(74,155)	(52,231)	176,507	(106,330)	(122,408)	(21,924)	(21,924)	(52,231)	16,395	(68,626)
Premium allocation approach	(187)	(19)	(19)	–	–	(168)	(168)	(19)	(19)	–
General model	(73,968)	(52,212)	176,526	(106,330)	(122,408)	(21,756)	(21,756)	(52,212)	16,414	(68,626)
Net insurance contract carrying amount	(74,155)	(52,231)	176,507	(106,330)	(122,408)	(21,924)	(21,924)	(52,231)	16,395	(68,626)
Reinsurance contract liability balances	804	1,047	7,018	(3,763)	(2,208)	(243)	(243)	1,047	1,058	(11)
Reinsurance contract asset balances	(74,959)	(53,278)	169,489	(102,567)	(120,200)	(21,681)	(21,681)	(53,278)	15,337	(68,615)
Net insurance contract carrying amount	(74,155)	(52,231)	176,507	(106,330)	(122,408)	(21,924)	(21,924)	(52,231)	16,395	(68,626)

4. ANALYSIS OF RESULT FROM INSURANCE OPERATIONS

(R000's)	December 2023	December 2022
Insurance Revenue		
CSM recognised for services provided	195,464	215,164
Change in risk adjustment for non-financial risk for risk expired	17,389	24,277
Expected insurance service expenses incurred:	174,402	216,880
Claims	116,408	142,455
Expenses	57,994	74,425
Recovery of insurance acquisition cash flows	361,980	355,741
Experience adjustments not related to future service	(33,679)	(42,232)
Expected premium receipts allocation under the PAA	256,902	249,546
Total insurance revenue	972,458	1,019,376
Insurance Service Expenses		
Incurred insurance service expenses:	(256,993)	(285,196)
Claims	(143,715)	(189,703)
Expenses	(115,247)	(97,070)
Other movements related to current service	1,968	1,577
Insurance acquisition cash flows expensed when incurred	(41)	(10)
Amortisation of insurance acquisition cash flows	(493,469)	(501,714)
Changes that relate to past service:	(6,402)	(10,961)
Changes in estimates in LIC fulfilment cash flows	732	711
Experience adjustments in claims and other insurance service expenses in LIC	(7,134)	(11,672)
Changes that relate to future service:	(81,944)	(102,980)
Losses for the net outflow recognised on initial recognition	(69,884)	(41,492)
Losses and reversal of losses on onerous contracts – subsequent measurement	(12,060)	(61,488)
Total Insurance Service Expenses	(838,850)	(900,861)

(R'000's)	December 2023	December 2022
Net Expenses from Reinsurance Contracts		
Allocation of the premiums paid	(96,104)	(111,480)
Amounts recovered from reinsurance:	94,338	111,591
Incurred insurance service expenses:	82,757	99,229
Claims	92,813	105,576
Expenses	(10,056)	(6,527)
Changes that relate to past service:	(5,742)	(3,224)
Changes in estimates in LIC fulfilment cash flows	–	168
Experience adjustments in claims and other insurance service expenses in LIC	(5,742)	(3,392)
Changes that relate to future service:	17,323	15,586
Loss recovery related to losses on underlying insurance contracts at initial recognition	46,164	27,544
Loss recovery and reversals of recoveries related to underlying insurance contracts losses – subsequent measurement	(28,841)	(11,958)
Total Net (Expenses) or income from Reinsurance Contracts	(1,766)	111
Insurance service result	131,842	118,626
Insurance Finance Income or (Expense) from Insurance Contracts		
The effect of time value of money and changes in the time value of money, based on the locked-in interest rates:	108,575	95,392
Interest accreted on the carrying amount of the CSM	(57,090)	(53,712)
Interest accreted on present value cash flows	186,984	69,400
Interest accreted on risk adjustment	(21,320)	(20,296)
The effect of financial risk and changes in financial risk	(22,713)	52,537
Changes in fair value of underlying items of direct participating contracts	(26,063)	(35,306)
Total Insurance Finance Income or (Expense) from Insurance Contracts	59,799	112,623
Insurance Finance Income or (Expense) from Reinsurance Contracts		
The effect of time value of money and changes in the time value of money, based on the locked-in interest rates:	3,943	3,364
Interest accreted on the carrying amount of the CSM	6,218	4,915
Interest accreted on present value cash flows	(5,121)	(4,995)
Interest accreted on risk adjustment	2,846	3,444
The effect of financial risk and changes in financial risk	(416)	(586)
Total Insurance Finance Income or (Expense) from Reinsurance Contracts	3,527	2,778
Net financial result (excluding investment return)	63,326	115,401
Results from insurance operations	195,168	274,027

5. TAX

(R'000's)	Six months ended 31 December 2023	2022
Current and deferred tax	(61,483)	(102,258)
Policyholder deferred tax raised/(recognised) in terms of IAS12*	(31,443)	41,645
Capital gains tax	(2,212)	(358)
Tax	(95,138)	(60,971)

* *The IPF has an estimated tax loss of R904 million (2022: R1.2 billion).*

6. RECONCILIATION OF NET PROFIT TO HEADLINE EARNINGS

(R'000's)	Six months ended 31 December 2023	2022
Net profit for the period attributable to equity holders of the Group	157,392	243,408
Headline earnings for the period	157,392	243,408

6.1 Ratios per Share

(Cents)	Six months ended 31 December 2023	2022 Restated	% Change
Headline earnings per share	46.94	72.59	(35%)
Diluted headline earnings per share	46.92	72.51	(35%)
Earnings per share	46.94	72.59	(35%)
Diluted earnings per share	46.92	72.51	(35%)
Net asset value per share	987.56	952.12	4%
Diluted net asset value per share	987.29	951.12	4%
Dividends per share – paid	125.00	120.00	4%
Ordinary shares in issue ('000)	335,329	335,322	
Weighted average ordinary shares ('000)	335,326	335,322	
Diluted average ordinary shares ('000)	335,418	335,674	

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 2023:

(R'000's)	Level 1	Level 2	Level 3	Total
Assets				
Listed equity securities	635,973	–	–	635,973
Foreign Listed equity securities	154,675	–	–	154,675
Unlisted equity securities	–	–	42,534	42,534
Promissory notes and fixed deposits	–	6,527,456	–	6,527,456
Funds on deposit	–	116,548	–	116,548
Fixed interest securities	–	–	–	–
Government and public authority bonds	–	343,034	–	343,034
Foreign Bonds	–	29,257	–	29,257
Total Assets	790,648	7,016,295	42,534	7,849,477
Liabilities				
Financial liabilities at fair value through profit or loss	–	6,997,674	–	6,997,674
Total Liabilities	–	6,997,674	–	6,997,674

The following table presents the Group's financial assets and liabilities that are measured at fair value through profit or loss at 31 December 2022 (Restated):

(R'000's)	Level 1	Level 2	Level 3	Total
Assets				
Listed equity securities	743,363	–	–	743,363
Foreign Listed equity securities	136,211	–	–	136,211
Unlisted equity securities	–	–	36,821*	36,821
Promissory notes and fixed deposits	–	9,595,633	–	9,595,633
Funds on deposit	–	101,246	–	101,246
Fixed interest securities	–	1,318	1	1,319
Government and public authority bonds	–	428,243	–	428,243
Total Assets	879,574	10,126,440	36,822	11 042,836
Liabilities				
Financial liabilities at fair value through profit or loss	–	9,891,964	14	9,891,978
Total Liabilities	–	9,891,964	14	9,891,978

Level 2 instruments are measured by using a zero coupon risk-free rate curve over the remaining life time of the instruments.

Level 3 unlisted equity securities of R38.7 million as at 31 December 2023 (2022: R33.0 million) consist of preference shares, valued using a Monte Carlo simulation with primary inputs consisting of the Clientèle Limited share price, the dividend yield and 77% of the prime interest rate.

* *R3.9 million has been restated from level 2 to level 3.*

RECONCILIATION OF LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 financial instruments:

	Six months ended 31 December 2023			Audited 30 June 2023		
(R'000)	Financial Assets at fair value through profit or loss: fixed interest securities	Financial Assets at fair value through profit or loss: unlisted equity securities	Financial Liability at fair value through profit or loss	Financial Assets at fair value through profit or loss: fixed interest securities	Financial Assets at fair value through profit or loss: unlisted equity securities	Financial Liability at fair value through profit or loss
Opening balances	**1**	**41,592**	**–**	28,633	34,578*	9,637
Interest raised during the year	**–**	**3,000**	**–**	–	6,000	(510)
Fair value adjustments recognised in profit or (loss)	**–**	**2,371**	**–**	1,140	4,127	607
Repayments	**–**	**(4,429)**	**–**	(29,772)	(3,113)	(9,734)
Closing balance	**1**	**42,534**	**–**	1	41,592	–

* *R3.9 million restated from level 2 to level 3.*

Changes to the Board

- Ms. Pheladi Raesibe Gwangwa resigned as Non-Executive Director, effective 02 August 2023;
- Mr. Michael George Cownie resigned as Group Financial Director, effective 10 November 2023;
- Ms. Thetele Emmarancia Mashilwane was appointed as Non-Executive Director, effective 01 December 2023; and
- Ms. Angela Colleen Pillay was appointed as Group Financial Director, effective 1 April 2024.

Changes to issued share capital

- Following the allocation of bonus rights to staff in December 2023, Clientèle Limited's issued share capital was increased from 335,321,768 to 335,329,220.

Bonus rights

- 7,452 bonus rights were issued to staff in December 2023.

Capital and Other Commitments

Clientèle Limited has in prior years provided financial assistance resulting in a net exposure via guarantees of R200 million for the purchase of approximately 9.0% of Clientèle's issued shares ("ordinary Shares") by YTI, a wholly owned subsidiary of the Hollard Foundation Trust, a B-BBEE Trust.

A preference share funding arrangement was entered into in the 2021 financial year with Depfin Investment (Pty) Ltd (a subsidiary of Nedbank Limited) which includes an Embedded Value per share covenant and a Market Value per share covenant. There were no breaches in either covenant during the period.

Events after the Reporting Date

There are no material items to report after the reporting date.

Related Party Transactions

Transactions between Clientèle Limited and its subsidiaries have been eliminated on consolidation. There were no material changes to the related party transactions during the period.

Update on 1Life Transaction

On 2 November 2023 Clientèle Limited entered into an exchange of shares agreement ("Share Exchange Agreement") with Telesure Investment Holdings Proprietary Limited ("TIH") in terms of which Clientèle Limited will acquire 100% of the issued share capital of 1Life held by TIH for a purchase consideration that will be settled through an issue of shares in Clientèle Limited ("1Life Acquisition").

The purchase consideration for the 1Life Acquisition is an amount of R1 915 million which is equivalent to the Embedded Value of 1Life, as at 30 June 2023, adjusted to be calculated on a similar basis to that used by the Group in its Embedded Value calculation, plus a control premium of 6.23%. The purchase consideration will be settled through the issue of 117,815,756 (one hundred and seventeen million, eight hundred and fifteen thousand, seven hundred and fifty six) ordinary shares in Clientèle Limited ("Consideration Shares"), which will be approximately 26% of the sum of Clientèle Limited's issued share capital plus the Consideration Shares as at 16 February 2024.

The Consideration Shares will be issued at a price of R16.25 (sixteen Rand and twenty five cents) per Consideration Share which, although a substantial premium to the prevailing market price of Clientèle Limited shares, is similar to the Group's Embedded Value per share as per its 30 June 2023 published financial results, adjusted for its dividend paid in September 2023, and 1Life's Embedded Value at 30 June 2023.

Both the Group, 1Life and TIH submitted all requisite regulatory filings, applications and notices to the applicable regulatory authorities (including inter alia the Competition Commission of South Africa and the PA) during February 2024 and are hopeful that the same will be approved by latest 1 July 2024. Moreover, Clientèle Limited distributed a Category 1 Circular in relation to the 1Life Acquisition to shareholders on 26 February 2024 and announced therein that a general meeting of shareholders will be held on 27 March 2024 to consider, and if deemed appropriate, approve the 1Life Acquisition and other related resolutions.

Group Embedded Value results

GROUP EMBEDDED VALUE

The EV calculation has been reviewed by the Group's Head of Actuarial Function. The 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 (on the Management Accounts Basis) arising from covered business in force as at 31 December 2023.

The Management Accounts Basis is defined as the published accounts bases adjusted as follows:

- Including a prospective liability for Investment contracts accounted for under IFRS 9, to align the methodology for these contracts with that used for other savings contracts included under insurance contracts;
- Elimination of insurance contracts assets recognised in terms of IFRS 17, as the VIF includes the release of future profits on these insurance contracts; and,
- Adjusting the required capital as a result of the above two adjustments, including the removal of the risk adjustment, under IFRS 17 related to the insurance contract assets for consistency.

This is broadly equivalent to the previous published accounts basis (IFRS 4) after the elimination of negatives reserves at individual policy level for all policies, with the exception of funeral parlour business. The Management Accounts Basis was used for projecting the profits in the PVIF calculation as it is representative of the basis used to determine the dividend paying ability of the Group.

All material business written by the Group has been covered by EV methodology as outlined in Advisory Practice Notice, APN 107 of the ASSA, including:

- Life insurance policies regulated in terms of the Long-term Insurance Act, 1998 and the Insurance Act, 2017;
- Legal expenses insurance business where EV methodology has been used to determine future shareholder entitlements; and
- Annuity income arising from non-insurance contracts (including IFA business fees, Clientèle Rewards, Clientèle Mobile, Direct Rewards contracts and fees earned for the use of digital applications).

The RDR decreased over the six months to 13.6% (30 June 2023: 14.1%).

No major modelling or assumption changes were made over the period.

The EV can be summarised as follows:

	Six months ended 31 December		Year ended 30 June
(R'000's)	2023	2022	2023
Required economic capital	**639,883**	607,171	616,042
Free surplus	**457,215**	492,383	719,141
Adjusted Net Worth ("ANW") of covered business	**1,097,098**	1,099,554	1,335,183
CoC	**(128,610)**	(101,441)	(121,410)
PVIF	**4,985,354**	4,839,533	4,673,703
EV of covered business	**5,953,842**	5,837,646	5,887,476
Risk Discount Rate ("RDR") % p.a.	**13.6**	13.7	14.1

The Required Economic Capital is based on the Management Accounts Basis and has been set at one times the Economic Capital Requirement for Clientèle Life (R467.5 million) and for the Clientèle General (R172.4 million) as at 31 December 2023.

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.

The CoC is the opportunity cost of having to hold the Required Capital of R639.9 million as at 31 December 2023 (31 December 2022: R607.2 million).

The PVIF business is the present value of future after-tax profits (on the Management Accounts Basis) arising from covered business in force as at 31 December 2023 on the Management Accounts Basis.

The Group EV increased from R5.887 billion at 30 June 2023 (RDR: 14.1%) to R5.954 billion as at 31 December 2023 (RDR: 13.6%), after the payment of the annual dividend of R420.7 million in September 2023.

The ANW includes the once-off project costs of the 1Life Acquisition (R9.4 million), no future expense allowances for the 1Life Acquisition are included in the EV.

The EV earnings of R487.0 million (17.8% annualised return on EV) includes a positive impact from changes in economic assumptions (mainly RDR) offset by some once-off items e.g. costs pertaining to the 1Life acquisition. The REVE of R361.8 million which translates into an annualised RRoEV of 13.2% gives a more accurate reflection of EV growth over the period (ignoring the change in economic assumptions and other once-off items).

RECONCILIATION OF TOTAL EQUITY TO ANW

	Six months ended 31 December		Year ended 30 June
(R'000's)	2023	2022	2023
Total equity and reserves per the Statement of Financial Position (IFRS 17)	**3,311,557**	3,192,675	3,575,315
Elimination of insurance contracts assets recognised in terms of IFRS 17	**(2,416,738)**	(2,321,536)	(2,440,616)
Adjusting IFRS recurring premium savings policies' liability to allow for negative rand reserves	**134,983**	124,784	123,523
Total Equity on Management Accounts Basis	**1,029,802**	995,922	1,258,223
Adjusted for deferred profits on investment business	**63,147**	93,542	75,639
Adjusting non-financial assets to fair value	**42,988**	31,384	42,564
Reversal of investment in Direct Rewards	**(11,536)**	(7,043)	(11,331)
Bonus Rights Scheme adjustment	**(11,823)**	(9,125)	(11,310)
Net of tax impact of adjusting Single Premium business to market value	**(15,480)**	(5,126)	(18,602)
ANW	**1,097,098**	1,099,554	1,335,183

The BR Scheme adjustment recognises the expected future dilution in EV, on a mark to market basis, as a result of the BR Scheme.

VALUE OF NEW BUSINESS ("VNB")

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 2023 on the Management Accounts Basis, less the CoC pertaining to the specific business lines. The assumptions used in the VNB calculations were consistent with the VIF assumptions as at 31 December 2023, and the actual cash flows in the year are from the Group's Management Accounts Basis.

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.

(R'000's)	VNB	Present Value of New Business Premiums	New Business profit margin
For the 6 month period ending 31 December 2023			
Recurring premium business	**111,339**	**988,649**	**11.3%**
Single premium business	**13,939**	**315,603**	**4.4%**
Total	**125,279**	**1,304,253**	**9.6%**
For the 6 month period ending 31 December 2022			
Recurring premium business	126,635	1,077,604	11.8%
Single premium business	68,472	3,080,204	2.2%
Total	195,107	4,157,808	4.7%
For the 12 month period ending 30 June 2023			
Recurring premium business	159,473	1,705,807	9.3%
Single premium business	85,400	3,379,850	2.5%
Total	244,873	5,085,657	4.8%

The Present Value of new business premiums from single premium investment business decreased from the comparative prior-year period. The decreased volumes from this relatively low profit margin block of business has resulted in an increase (to 9.6%) in the overall new business profit margin.

The VNB for the current period is not directly comparable to the VNB for the comparative period as a consequence of reinstatements having been removed from the VNB calculation. However, this change was allowed for in the 30 June 2023 results.

LONG-TERM ECONOMIC ASSUMPTIONS

	Six months ended 31 December		Year ended 30 June
(%)	**2023**	2022	2023
Risk Discount Rate	**13.6**	13.7	14.1
Non-unit investment return	**10.1**	10.2	10.6
Unit Investment return	**11.6**	11.7	12.1
Expense inflation	**5.9**	6.1	6.1
Corporate tax	**27.0**	27.0	27.0
Gross of tax Equity return	**12.6**	12.7	13.1
Gross of tax Cash return	**8.1**	8.2	8.6
Gross of tax Bond return	**10.1**	10.2	10.6
Gross of tax Risk Free return	**10.1**	10.2	10.6

The 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 is 3.5% (30 June 2023: 3.5%). The beta pertaining to the Clientèle Limited share price is normally 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 Clientèle Limited's actual beta of 0.26, 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 as at 31 December 2023 was 13.6% p.a. (31 December 2022: 13.7% p.a. ; 30 June 2023: 14.1% p.a.).

RDR SENSITIVITIES

(R'000's)	EV	VNB
RDR 11.6%	6,708,376	170,984
RDR 12.6%	6,308,019	146,870
RDR 13.6% (as at December 2023)	**5,953,842**	125,279
RDR 13.7% (as at December 2022)	5,929,861	123,779
RDR 14.1% (as at June 2023)	5,805,906	116,136
RDR 14.6%	5,659,834	107,080
RDR 15.6%	5,393,678	90,442

The sensitivity analyses have assumed that the ANW will remain static.

EV PER SHARE

	Six months ended 31 December		Year ended 30 June
(Cents)	**2023**	2022	2023
EV per share	**1,775.56**	1,740.91	1,755.77
Diluted EV per share	**1,775.03**	1,739.08	1,754.34

SEGMENT INFORMATION

The table below shows the EV split between segments for the six months ending 31 December 2023, 31 December 2022 and the full year to 30 June 2023:

(R'000's)	ANW	PVIF	CoC	EV
31 December 2023				
Life insurance	810,764	3,574,282	(99,389)	**4,285,657**
Non-life insurance	263,121	1,291,942	(29,221)	**1,525,843**
CBC Rewards, Clientèle Mobile & Direct Rewards	(49,818)	119,129		**69,311**
Other	73,031	–		**73,031**
Total	1,097,098	4,985,353	(128,610)	**5,953,842**
31 December 2022				
Life insurance	816,429	3,542,256	(72,510)	**4,286,175**
Non-life insurance	232,022	1,223,568	(28,931)	**1,426,659**
CBC Rewards, Clientèle Mobile & Direct Rewards	(55,020)	73,709		**18,689**
Other	106,123	–		**106,123**
Total	1,099,554	4,839,533	(101,441)	**5,837,646**
30 June 2023				
Life insurance	1,020,729	3,374,698	(92,021)	**4,303,406**
Non-life insurance	271,346	1,208,970	(29,389)	**1,450,927**
CBC Rewards, Clientèle Mobile & Direct Rewards	(64,500)	90,035		**25,535**
Other	107,608			**107,608**
Total	1,335,183	4,673,703	(121,410)	**5,887,476**

The VNB can be split between segments as follows:

	Six months ended 31 December		Year ended 30 June
(R'000's)	**2023**	2022	2023
Life insurance	**54,712**	135,965	157,485
Non-life insurance	**56,013**	48,564	67,854
CBC Rewards, Clientèle Mobile & Direct Rewards	**14,554**	10,578	19,534
Total	**125,279**	195,107	244,873

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.

		Six months ended December 2023				Six months ended 31 December 2022	Year ended 30 June 2023
(R'000's)	Notes	ANW	VIF	CoC	EV	EV	EV
Closing EV		1,097,098	4,985,354	(128,610)	5,953,842	5,837,646	5,887,476
Opening EV		1,335,183	4,673,703	(121,410)	5,887,476	5,807,067	5,807,067
Dividends		(420,682)			(420,682)	(402,386)	(402,386)
Adjusted EV at the beginning of the period		**914,501**	**4,673,703**	**(121,410)**	5,466,794	**5,404,681**	**5,404,681**
EV earnings		**182,597**	**311,651**	**(7,200)**	487,048	432,965	482,795
Reversal of impact of economic assumption changes		(5,064)	(142,520)	986	(146,598)	(66,834)	21,949
Reversal of change in treatment of reinstatements and other once-off impacts	1	21,303			21,303		158,347
Recurring EV Earnings		198,837	169,131	(6,214)	361,754	366,131	663,091
Annualised Recurring Return on EV					13.2%	**13.5%**	**12.3%**
Annualised Return on EV					17.8%	16.0%	8.9%
Components of EV earnings							
VNB		(265,244)	395,071	(4,549)	125,279	195,107	244,873
Expected return on covered business			315,741	5,003	320,744	308,092	600,809
Expected profit transfer		502,495	(502,495)		–	–	–
Expected return on ANW		38,628			38,628	28,803	58,818
Withdrawal and unpaid premium experience variance	2	(53,387)	(39,426)	(6,565)	(99,379)	(163,530)	(245,369)
Impact of instability and errors within the collections environment							(57,743)
Changes in non-economic assumptions and modelling		5,428	(139)	218	5,506	2,261	96,005
Impact of change in treatment of reinstatements and other once-off experience variance	1						(158,347)
Claims and reinsurance experience variance (including COVID-19)		(2,720)			(2,720)	(1,177)	2,854
Once-off project costs		(32,057)			(32,057)		(12,410)
YTI guarantee cost in respect of B-BBEE share financing		(574)			(574)	(635)	(1,149)
Fair value adjustment to non-financial assets		471			471		11,180
Bonus Rights Scheme		842			842	813	(226)
Goodwill and Medium-term Incentive scheme		(8,477)	336		(8,141)	(15,932)	(13,482)
Sundry experience variance		(1,694)	44	(0)	(1,650)	8,053	(21,789)
EV operating return		**183,711**	**169,131**	**(5,893)**	346,949	**361,855**	**504,025**
Investment return variances on ANW		(6,178)	–	(321)	(6,499)	9,778	6,221
Impact of economic assumption changes		5,064	142,520	(986)	146,598	66,834	(21,949)
Intangible assets and inventory write-off						(5,502)	(5,502)
EV earnings		**182,597**	**311,651**	**(7,200)**	487,048	**432,965**	**482,795**

NOTES

Note 1

June 2023: In line with the rest of the industry, reinstatements have been moved from new business and treated as "negative withdrawals" from June 2023. As a result, the value of reinstatements is no longer included in the VNB but the impact of reinstatements is included as a negative decrement in the VIF and VNB calculations. This methodology change also affected the withdrawal and expense assumptions for the in-force and new business books. Furthermore, a correction was made (by one of the reinsurers) to the shape of the reinsurance rates curve. The impact of these once-off changes on existing business were excluded from the REVE. December 2023: Primarily pertaining to the reversal of once-off project expenses (e.g. expenses pertaining to the 1Life Acquisition).

Note 2

The challenges in the collections environment, particularly when it comes to the stability thereof, have persisted over the course of the period. The Group also continues to operate in an extremely tough environment. Withdrawal experiences are still above assumption.

Definitions and Interpretations: IFRS 17

"CSM"	Contractual Service Margin
"DAC"	Deferred Acquisition Cost
"FCF"	Fulfilment Cash Flows
"GMM"	General Measurement Model
"IACF"	Insurance acquisition cash flows
"LC"	Loss component
"LIC"	Liability for incurred claims and expenses
"LRC"	Liability for remaining coverage
"LRECC"	Loss recovery component
"LRP"	Liquidity Risk Premium
"PAA"	Premium Allocation Approach
"PVIF"	Present Value of In-force business
"RA"	Risk Adjustment
"RDR"	Risk Discount Rate
"VFA"	Variable Fee Approach

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