OUTsurance Group Limited

# UNAUDITED INTERIM RESULTS AND CASH DIVIDEND DECLARATION

for the six months ended 31 December 2023

# Contents



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*Further information can be found on our website.*

# Introduction

The consolidated financial results of OUTsurance Group Limited (OGL or OGL Group) are prepared in accordance with:

- International Financial Reporting Standards (IFRS® Accounting Standards), as a minimum in accordance with IAS 34: Interim Financial Reporting.
- The requirements of the Companies Act, 71 of 2008, as amended.
- The SAICA Financial Reporting Guide as issued by the Accounting Practices Committee.
- The Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.
- The Listings Requirements of the JSE.
- The IFRS Interpretations Committee (IFRIC® Interpretations).

The reporting period reflects the first-time adoption of IFRS 17. The adoption of IFRS 17 has resulted in a significant change in the accounting policies of the Group and in particular, the measurement approach for the Life insurance operation. Comparative results have been restated as a result of the IFRS 17 transition.

Jan Hofmeyr CA(SA) supervised the preparation of the consolidated financial results. The Board of Directors takes full responsibility for the preparation of the consolidated financial results.

The summary consolidated financial statements for the six months ended 31 December 2023 have not been audited.

The forward-looking information has not been reviewed or reported on by the Group's external auditor.

The primary results and accompanying commentary are presented on a normalised basis which most appropriately reflects the economic operating performance of the Group and its operating units.

# Our purpose and values

Our purpose is to ensure our stakeholders always get something out.

The heart of our purpose is to provide our customers with simple, high quality insurance products backed by trust and market-leading service outcomes.

We maintain a leading employee value proposition and a business culture that attracts and rewards a diverse talent pool.

We work with our large network of service providers to create sustainable relationships and growth opportunities which reward alignment with our value of awesome customer service.

We create sustainable and predictable financial value for our shareholders, through pricing discipline, operational efficiency and conservative risk taking through organic growth initiatives.

OUT VALUES

AWESOME SERVICE

HUMAN

PASSIONATE

HONEST

DYNAMIC

RECOGNITION

# Who we are

## The OUTsurance Group is a multinational insurance group that specialises in Property and Casualty insurance.

OUTsurance was founded in 1998 by three entrepreneurs and backed by the RMB Holdings Group. The Group's activities are focused on the South African and Australian insurance markets with the expansion into the Republic of Ireland.

The Group's primary source of revenue is insurance premiums for risk underwritten in personal lines, commercial lines and life insurance products. Our customer proposition is focused on offering value for money insurance products and leading customer service outcomes that builds customer trust.

We generate financial capital through disciplined pricing and risk selection, a strong focus on cost management and efficient balance sheet management.

The Group services 2.8 million policies and employs 7 492 employees across South Africa, Australia, New Zealand and Ireland.

*Group's business model and value creation and our strategy is detailed in the Integrated Report 2023.*

# Our Group structure

**OUTsurance Group Limited**
Listed entity – (formerly RMI Holdings Limited)

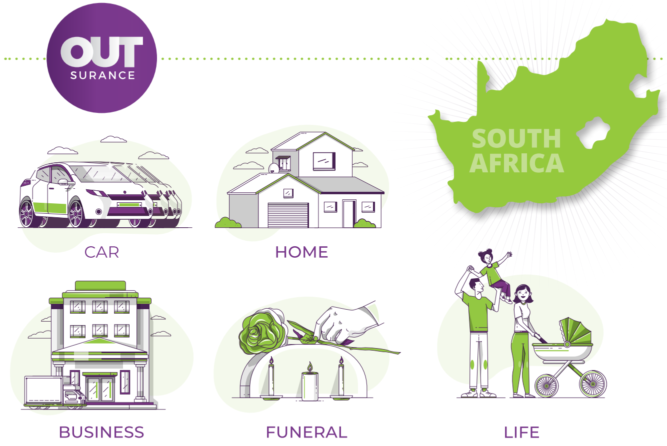
**OUTsurance employees and trusts** – 10.2%

**OUTsurance Holdings Limited** – 89.8%
Regulated holding company

| Operating entities | Administrative entities | Associate investments |
|---|---|---|
| **OUTsurance (SA) – 100%** | **OUTsurance Shared Services** | **Blue Zebra Insurance** (36.9% owned by Youi Group) |
| **OUTsurance Life (SA) – 100%** | **OUTsurance Properties** | **CloudBadger** (46.0%) |
| **Youi Group (Australia) – 94.6%** | | |
| **OUTsurance Ireland Group (Ireland) – 100%** | | |

**RMI Treasury Company** – 100%

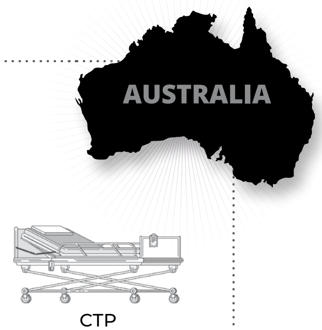
| RMI Investment Managers | AlphaCode |
|---|---|
| | **Entersekt – 14.9%** |
| | **Prodigy Finance – 10.9%** |
| | **Merchant Capital – 21.2%** |
| | **Guidepost – 45.5%** |





**CHANNELS**
- Direct (call centre & digital)
- OUTsurance Brokers
- Partnerships

youi


**CHANNELS**
- Direct (call centre & digital)
- BZI (broker)
- Compulsory Third Party (CTP) (call centre & digital)

# Financial performance highlights

## OUTsurance Group Limited

NORMALISED EARNINGS
**R1 411 million**
↑ 0.5%

NORMALISED RETURN ON EQUITY
**21.6%**

DILUTED NORMALISED EARNINGS PER SHARE
**90.6 cents per share**
↓ 0.1%

ORDINARY DIVIDEND PER SHARE
**61.2 cents**
↑ 7.7%

## OUTsurance Holdings Limited

NORMALISED EARNINGS
**R1 546 million**
↓ 3.3%

P&C[1] GROSS WRITTEN PREMIUM
**R16 110 million**
↑ 22.5%

OPERATING PROFIT
**R1 788 million**
↓ 10.7%

P&C[1] INSURANCE REVENUE (IFRS 17)
**R14 888 million**
↑ 19.7%

P&C[1] ANNUALISED NEW BUSINESS PREMIUM WRITTEN
**R4 814 million**
↑ 38.8%

P&C[1] NET EARNED PREMIUM
**R13 761 million**
↑ 21.2%

NORMALISED RETURN ON EQUITY
**26.1%**

1 P&C refers to the performance of the Group's short-term or property and casualty operations and excludes the performance of OUTsurance Life and other non-operating activities. The performance metrics disclosed above have been restated to reflect the first-time adoption of IFRS 17.

# Financial results review

The primary results and accompanying commentary are presented on a normalised earnings basis which most appropriately reflects the economic performance of the Group and its underlying operating units.

OUTsurance Group Limited (OGL or OGL Group) refers to the listed entity and OUTsurance Holdings Limited (OHL or OHL Group) is the grouping of the underlying insurance activities.

OGL has adopted the historic reporting approach of the OHL Group to reflect the primary continuing operations after the listing transition. The reporting structure is presented in line with the following segmental structure of the Group.

The acronym P&C refers to Property and Casualty insurance operations which we also traditionally refer to as short-term insurance.

| | Ownership | Overview of activities | Product/channel segments |
|---|---|---|---|
| **OUTsurance Group Limited (OGL)** | Listed | Listed holding company of the Group including RMI Treasury Company where portfolio investments are held | RMI Treasury Company |
| **OUTsurance Holdings Limited (OHL)** | **89.8%** held by OGL (2023: 89.7%) | Regulated Insurance Group Holding Company | |
| **OUTsurance** | **100%** held by OHL | South African P&C insurance operation which comprises OUTsurance Personal and OUTsurance Business as operating segments | OUTsurance Personal<br>OUTsurance Business – Direct and Brokers |
| **Youi Group** | **94.6%** held by OHL (2023: 89.8%) | Australian P&C insurance operation which comprises Youi Personal, Youi Business and Youi CTP as operating segments | Youi Personal<br>Youi Business – Direct and BZI<br>Youi CTP |
| **OUTsurance Ireland** | **100%** held by OHL | Planned Personal lines P&C insurance start-up in the Republic of Ireland | Reported in aggregate |
| **OUTsurance Life** | **100%** held by OHL | South African Life insurance operation that includes Underwritten and Funeral product segments | OUTsurance Underwritten Life<br>OUTsurance Funeral |
| **Central and administration services** | **100%** held by OHL | Results of non-operating entities, shared services and external contact centre services | |

IFRS 17 has introduced a major change in the reporting and presentation of the financial results of the insurance activities in the OGL Group. The materiality of this change is more significant for the life insurance operation (accounted for under the general measurement model) compared to the P&C operations (accounted for under the premium allocation approach).

For P&C reporting, we have aimed to align our management reporting as far as possible to the traditional volume measures for our P&C operations whilst adopting the principles introduced by IFRS 17. The volume measures such as gross written premium, net earned premium are not separately identifiable lines in the IFRS 17 statement of profit and loss. Similarly our prominent management ratios being the claims ratio, cost-to-income ratio and combined ratio cannot be simply replicated by referring to the financial statements. We have therefore provided a reconciliation per period as part of the segment note on *page 37* of this interim report that illustrates the reconciliation between the IFRS 17 line items and traditional volume measures we disclose here together with an explanation of how the ratios are calculated. All our profit metrics reflect the IFRS 17 basis of accounting.

OUTsurance Life's results presented for IFRS 17 moves away from traditional volume measures and focuses on accounting operating profit and headline earnings, new business margins, the movement in the contractual service margin and the embedded value. As described further in the OUTsurance Life section below and the Embedded Value report, we have taken steps to align the embedded value calculation basis as far as possible with the conventions of IFRS 17.

When presenting our Group numbers to you in an intuitive format, we split the results and performance ratios of the P&C and Life Insurance operations to better capture performance trends not distorted by the differential business models and the different accounting measurement models.

An impact assessment of the IFRS 17 transition against which we are reporting for the first time is presented on *page 17*.

*Financial results review* continued

# OGL results review

The table below sets out the normalised earnings result of OGL which represent the 89.8% interest in OHL coupled with the Central/RMI Treasury Company activities of OGL.

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2023** | 2022 Restated | % change | **2023 Restated** |
| Normalised earnings | **1 411** | 1 404 | 0.5% | **2 939** |
| Normalised ROE | **21.6%** | 23.0% | | **23.4%** |
| Normalised earnings per share (cents) | **92.1** | 91.6 | 0.5% | **191.9** |
| Diluted normalised earnings per share (cents) | **90.6** | 90.7 | (0.1%) | **189.3** |
| Dividend per share (cents) | **61.2** | 56.8 | 7.7% | **134.8** |
| Special dividend per share (cents) | **–** | – | | **8.5** |

*The OGL dividend composition is elaborated in the dividend section on* ***page 16****.*

The table below sets out the sources of normalised earnings as attributed to the OHL and ultimately OGL Groups:

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2023** | 2022 Restated | % change | **2023 Restated** |
| OUTsurance | **923** | 955 | (3.4%) | **1 884** |
| Youi Group | **556** | 658 | (15.5%) | **1 396** |
| OUTsurance Life | **70** | 13 | >100% | **142** |
| OUTsurance Ireland | **(59)** | (2) | (>100%) | **(56)** |
| Administration services[1] | **20** | (17) | >100% | **(35)** |
| Central and consolidation adjustments | **36** | (8) | >100% | **(21)** |
| **OUTsurance Holdings Limited** | **1 546** | 1 599 | (3.3%) | **3 310** |
| Non-controlling interest | **(139)** | (157) | 11.5% | **(321)** |
| Central/Treasury Company | **4** | (38) | >100% | **(50)** |
| **OUTsurance Group Limited** | **1 411** | 1 404 | 0.5% | **2 939** |

1 Included the normalised loss of OUTvest in the prior period of R15 million and the 2023 financial year of R28 million. OUTvest was disposed of effectively 1 February 2024 and the results for the six-months under review do not include any profit or loss related to the business.

The improvement in the Central and RMI Treasury Company profit component is associated with a large reduction in head-office cost resulting from the simplification of the OGL Group following the listing transition in December 2022. This amount includes interest earned on surplus financial assets coupled with the equity accounted earnings from the portfolio investments.

RMI Treasury Company is in the process of concluding the disposal of RMI Investment Managers Group, excluding the Group's investment in PolarStar Management, to Momentum Metropolitan Holdings. The financial effects of the disposal will impact the results of the second half of the financial year. The OHL Group disposed of its investment in OUTvest with effect 1 February 2024.

# OHL results review

This section outlines the operating performance of the OHL Group and its insurance operations. The table below segments the business into three components. This disclosure approach is prompted by IFRS 17 related changes where Life insurance volume measures are less relevant.

- Consolidated results of the OHL Group
- Property and Casualty insurance activities – which groups the short-term insurance activities being OUTsurance, OUTsurance Ireland and the Youi Group.
- Life insurance activities – represents the results of OUTsurance Life.

The OHL Group's normalised earnings was 3.3% lower at R1 546 million. This reduction in earnings was driven by the impact of higher natural perils claims incurred, most prominently in Australia.

Also impacting the results is a material increase in the cost of the OUTsurance South African Employee Share Option Scheme (ESOP) following the increase in the OGL share price over the six month period under review. The ESOP scheme is marked to market and is a cash-settled scheme which creates volatility in the share-based expense and consequently in the cost-to-income ratio. We are in the process of replacing the ESOP with a Conditional Share Plan (CSP) which will remove volatility in the cost of the share-based expense. The volatility of the share-based payments expense will therefore rebase incrementally over the next two financial years before being fully replaced by the CSP scheme. The share-based payments expense was R293 million higher than the comparative six months. The OHL Group's operating earnings would have been R293 million higher if this expense is adjusted for and similarly normalised earnings would have been R214 million (post-tax) or 13.4% higher.

OUTsurance Ireland incurred R59 million in start-up losses during the six months under review. Expenses are escalating as the business is operationalising for the launch phase. The loss increased from R2 million in the comparative period.

The salient performance features of the P&C insurance activities are as follows:

- Gross written premium grew by a strong 22.5% which is testament to good operational execution, navigating effectively through the high inflationary environment and the contribution made by new business initiatives.
- Annualised new business increased by 38.8% which points to an accelerated new business trend over the period and supported by a persistently high inflationary environment.
- The claims ratio which increased from 54.4% to 59.1% is attributed to R678 million higher natural perils claims incurred by Youi. Youi's working loss ratio (excluding natural perils) improved from 51.9% to 50.8%, which illustrates that the deterioration was fully accounted for by the higher natural perils. OUTsurance delivered improved claims ratios for both the Personal and Business segments as further outlined below.
- The P&C insurance cost-to-income ratio of 30.4% is distorted by the share-based payments expense. The start-up expenses of OUTsurance Ireland are contributing to the higher expense base and ratio of the Group. Ignoring the increased share-based payments expense and Ireland costs, the P&C cost-to-income ratio would be 27.8%. The mix effect of Youi's faster growth in the Group and its higher inherent cost ratio, also contribute to the higher cost-to-income ratio. The segmental results outlined further in this report illustrate gains in cost efficiency despite ongoing large investments to drive new business.

The life insurance business delivered a much improved operating result following the impact of stronger growth achieved in the funeral market place and favourable yield movements compared to the comparative six months.

*Financial results review continued*

## OHL Group key financial ratios

The table below sets out the key financial outcomes of the consolidated OHL Group:

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | 2023 | 2022 Restated | % change | 2023 Restated |
| **Consolidated operating performance – OHL** | | | | |
| Normalised earnings | **1 546** | 1 599 | (3.3%) | **3 310** |
| Operating profit | **1 788** | 2 003 | (10.7%) | **4 167** |
| Investment income generated | **746** | 505 | 47.7% | **1 091** |
| Normalised ROE[1] | **26.1%** | 30.2% | | **29.8%** |
| Group cost-to-income ratio | **30.5%** | 28.9% | | **30.2%** |
| **Property and Casualty insurance activities[2]** | | | | |
| Gross written premium[4] | **16 110** | 13 153 | 22.5% | **27 559** |
| Insurance revenue[3] | **14 888** | 12 437 | 19.7% | **25 977** |
| Net earned premium[4] | **13 761** | 11 357 | 21.2% | **23 726** |
| Annualised new business premium written | **4 814** | 3 469 | 38.8% | **7 710** |
| Operating profit | **1 643** | 2 030 | (19.1%) | **4 086** |
| Normalised earnings | **1 420** | 1 611 | (11.9%) | **3 224** |
| Claims ratio[4] | **59.1%** | 54.4% | | **54.3%** |
| Insurance cost-to-income ratio[4] | **30.4%** | 28.3% | | **29.4%** |
| Combined ratio[4,5] (%) | **90.0%** | 83.5% | | **84.4%** |
| **Life insurance activities** | | | | |
| Operating profit/(loss) | **57** | (15) | >100% | **145** |
| Normalised earnings | **70** | 13 | >100% | **142** |
| Value of new business written | **37** | (12) | | **15** |
| Embedded value | **1 843** | 1 421 | | **1 878** |

1 Attributable to ordinary shareholders.
2 Aggregate results of OUTsurance/Youi Group/OUTsurance Ireland.
3 IFRS 17 naming convention and equivalent to gross earned premium under IFRS 4.
4 Management definitions related to key performance metrics for P&C insurance operations. These ratios are defined in the glossary and a segmental reconciliation of the calculation bases to IFRS 17 disclosures as part of the segment information note provided on *page 37*.
5 After Homeowners profit distribution paid to FirstRand and insurance finance expense.

The table below sets out the sources of operating profit of the OHL Group entities:

| | Operating profit | | | |
|---|---|---|---|---|
| | Six months ended 31 December | | | Year ended 30 June |
| R million | 2023 | 2022 Restated | % change | 2023 Restated |
| OUTsurance[1] | **1 088** | 1 127 | (3.5%) | **2 285** |
| Youi Group | **619** | 905 | (31.6%) | **1 857** |
| OUTsurance Ireland | **(64)** | (2) | >(100%) | **(56)** |
| **Property and Casualty insurance operations** | **1 643** | 2 030 | (19.1%) | **4 086** |
| OUTsurance Life | **57** | (15) | >100% | **145** |
| Administration services[2] | **24** | (19) | >100% | **(57)** |
| Central and consolidation adjustments[3] | **64** | 7 | >100% | **(7)** |
| **OHL operating profit** | **1 788** | 2 003 | (10.7%) | **4 167** |

1 Includes OUTsurance Personal, OUTsurance Business, OUTsurance Central costs and is net of FirstRand Homeowners profit share.
2 Net of offshore call centre administration services offered to Hastings and Youi and the operating loss of OUTvest.
3 Includes the profits and losses of holding companies and other non-operational entities in the Group.

To measure the financial success of the strategy and long-term shareholder value creation, the Group is focussed on the following key financial metrics:

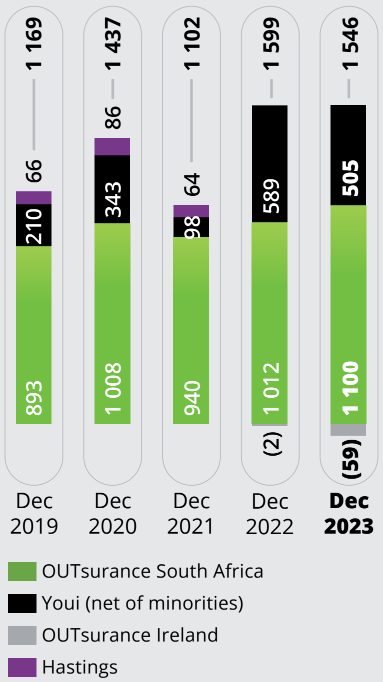
- **Return on equity (ROE)** – which measures the efficiency of the capital deployment for growth initiatives and underwriting discipline over time. Normalised ROE is determined by dividing normalised earnings by average normalised ordinary shareholders equity.
- **P&C claims ratio** – which is the key driver of profitability in the Group's P&C insurance operations. The claims ratio is influenced by our pricing sophistication, risk selection and underwriting discipline. The variability of the claims ratio in the short-term is impacted by weather patterns, particularly in Australia where the frequency and severity of natural weather events results in a more volatile claims experience. The claims ratio is also impacted by the efficiency and retention of the reinsurance programmes.
- **Cost-to-income ratio** – the cost-to-income ratio is an important measure of efficiency in the business which is an enabler to delivering competitive pricing and target profit margins over time. The Group's cost-efficiency is underpinned by a cost-conscious business culture, in-house developed systems and the efficiency of the direct distribution channel which represents the largest channel of business.
- **P&C annualised new business premium written** – This measure represents the annualised new business premium written in a particular financial year. This measure is an indicator of revenue growth and the competitiveness of the operating model over time.

*Financial results review continued*

## OHL normalised earnings history

The graphs set out the normalised earnings history of the OHL Group split per the contributions from the South African and Australian operations as well as the historic effect of the Group's indirect investment in Hastings which was disposed of in December 2021.

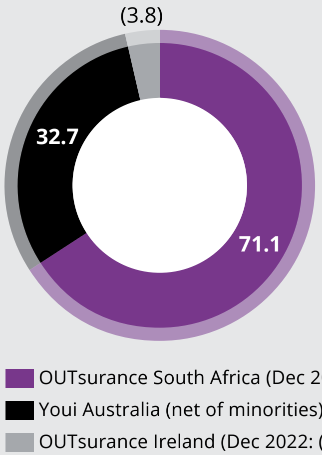
NORMALISED EARNINGS (R million)




OUTsurance South Africa (includes administration and consolidation adjustments)

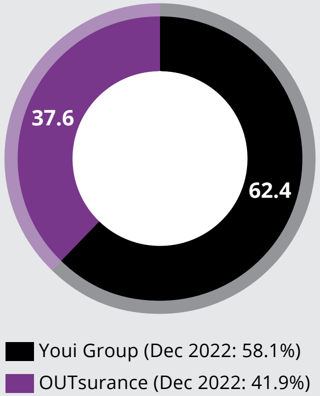
The graph below illustrates the diversification of the OHL Group's normalised earnings.

OHL GROUP NORMALISED EARNINGS (%)




The graph below illustrates the diversification of the OHL Group's gross written premium from P&C operations. The rapid growth in Youi's gross written premium has accelerated the Group's diversification over the reporting period.

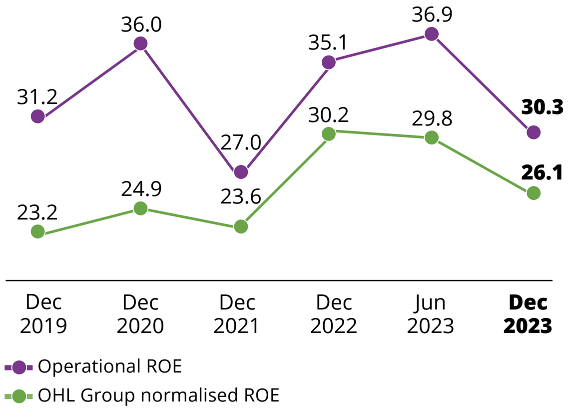
P&C GROSS WRITTEN PREMIUM (%)




## OHL ROE (%)

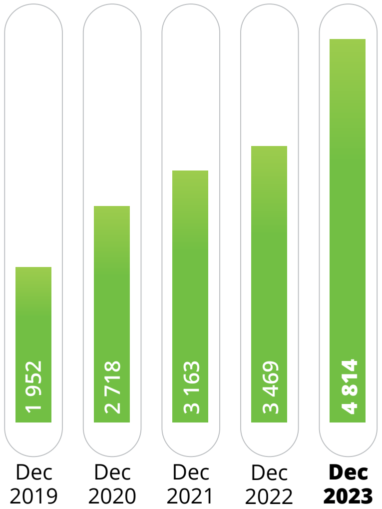
The Normalised ROE is the overall ROE of the OHL Group. The operational ROE is the aggregate ROE of the insurance operations of the OHL Group and excludes the ROE effect of the OHL Group's historic investment in Hastings (disposed of in December 2021) and surplus capital in the holding company. The differential between the Operational ROE and OHL Group normalised ROE is explained by surplus capital held to fund the OUTsurance Ireland expansion. The OHL Group targets an Operational ROE of 25% to 35% and a Normalised ROE of 20% to 30%. The Group sets minimum hurdle rates for new ventures depending on the relative riskiness of the product, channel or geographic expansion. Generally, a ROE of 20% is set as a minimum marginal investment hurdle.

OHL GROUP ROE PERFORMANCE (%)

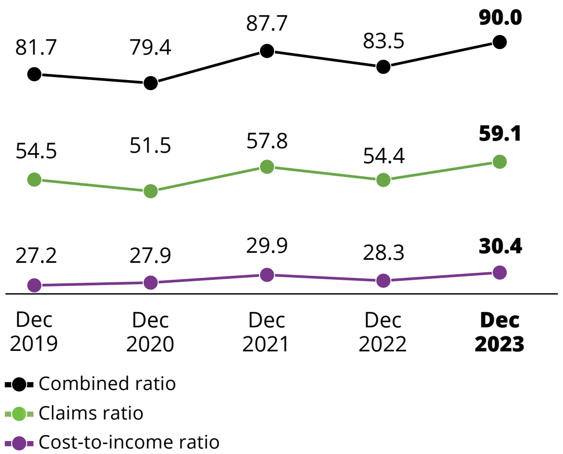


*Financial results review continued*

P&C ANNUALISED NEW BUSINESS PREMIUM WRITTEN (R million)

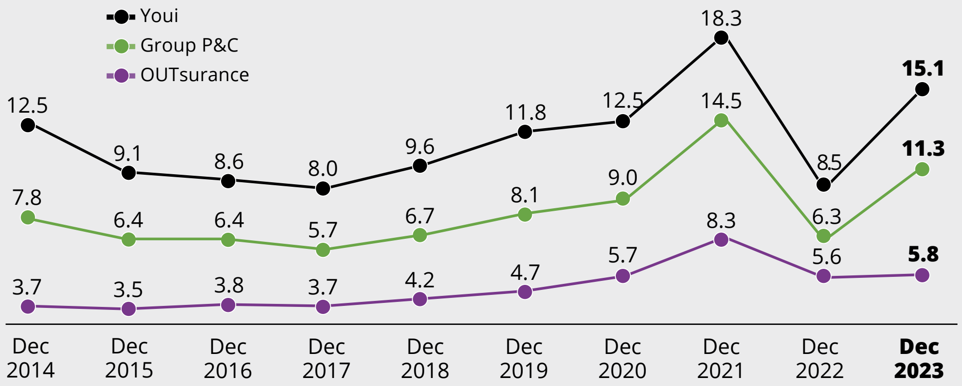



P&C - KEY RATIOS (%)



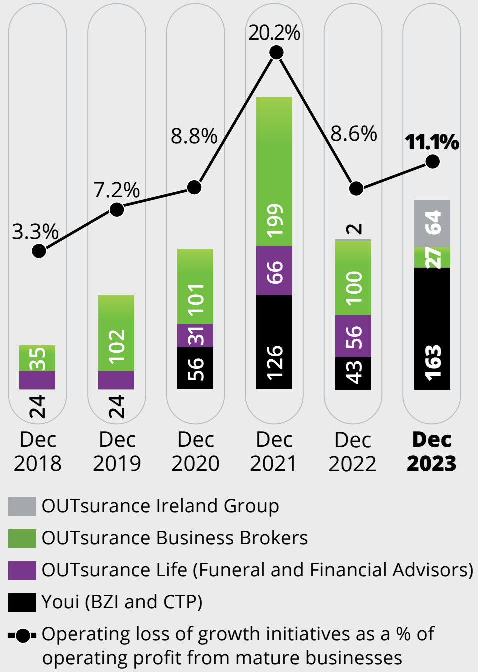

Ratios prior to December 2022 are calculated using the IFRS 4 basis of accounting. The IFRS 17 basis is used from December 2022 onwards.

NET RETAINED NATURAL PERILS CLAIMS AS A % OF NET EARNED PREMIUM




The OHL Group has made substantial investments to open new product and distribution channel activities over the last five years. The graph alongside illustrates the impact of the investment in new ventures on the operating profit of the Group. The operating loss for the six months increased to R254 million or equivalent to 11.1% of the profit realised from profitable and mature segments. The increase is linked to a higher loss in the BZI channel, being influenced by the adverse weather events in December 2023. Furthermore, start-up losses in Ireland accelerated in line with the preparation to establish the business as an insurer. The OHL Group's target for new ventures over time for this measure is set at 10%, as measured over a full financial year. In the comparative period, this measure was favoured by the significantly lower natural perils experience in Australia which bolstered operating profit.

LOSSES GENERATED BY GROWTH INITIATIVES AS % OF PROFITS FROM MATURE BUSINESS UNITS (R million)



# Business unit performance

## OUTsurance

OUTsurance is the Group's South African Property and Casualty insurance operation and consists of two main operational segments, OUTsurance Personal and OUTsurance Business.

OUTsurance delivered a strong operational performance within the context of a difficult economic climate and high inflation environment.

Overall OUTsurance delivered 9.9% and 10.0% growth in gross written and net earned premiums respectively. Premium inflation has remained a large contributor to overall premium growth.

Through pro-active pricing measures, claims cost control and disciplined risk selection, OUTsurance has been able to withstand the effects of higher claims inflation as illustrated through the lower claims ratios. The claims ratio improved from 53.3% to 52.0% with both the Personal and Business segments delivering improved outcomes.

Measured as percentage of net earned premiums, natural perils claims were marginally higher at 5.8% compared to the prior period's 5.6%.

The cost-to-income ratio increased from 25.1% to 29.9%. The cost-to-income ratio has been significantly impacted by the increase in the share-based payments expense in the six months under review. The share-based payments expense is linked to the indexed performance of the OGL share price. The excess over expected share-based payments expense is accounted for in the Central segment. Over the six-month period, the OGL share price increased by 24.2% driving a R268 million higher share-based payments expense (and consequently lower operating profit) compared to the comparative period. This increase accounts for a 4.5% increase in the cost-to-income ratio. The share scheme is being transitioned from share option scheme (cash-settled) to a conditional share plan (equity-settled) which will provide for a fixed and more predictable expense once fully transitioned by 2026. The value unlocked since the listing transition has resulted in short-term cost volatility which will normalise over time. As illustrated in the results of OUTsurance Personal and OUTsurance Business, the core cost-to-income ratios of these segments have improved through the effects of cost-discipline and improved scale given the strong revenue growth delivered.

Investment income continued to benefit from the rising yield environment and was higher by 15.0%.

OUTsurance delivered an operating profit of R1 088 million which is 3.5% lower than the comparative period. If adjusted for the increase in the share-based payments expense, the operating profit would have been 20.3% higher.

### OUTsurance key financial ratios

The key financial outcomes of OUTsurance, aggregated for the OUTsurance Personal and OUTsurance Business product segments, are presented below:

| | **Six months ended 31 December** | | | **Year ended 30 June** |
|---|---|---|---|---|
| R million | **2023** | 2022 Restated | % change | **2023 Restated** |
| Gross written premium | **6 051** | 5 505 | 9.9% | **11 160** |
| Insurance revenue | **5 999** | 5 459 | 9.9% | **11 137** |
| Net earned premium | **5 896** | 5 361 | 10.0% | **10 938** |
| Operating profit | **1 088** | 1 127 | (3.5%) | **2 285** |
| OUTsurance Personal | **1 304** | 1 104 | 18.1% | **2 276** |
| OUTsurance Business | **175** | 119 | 47.1% | **260** |
| Central[1] | **(391)** | (96) | >(100%) | **(251)** |
| Investment income | **306** | 266 | 15.0% | **498** |
| Headline earnings[2] | **923** | 955 | (3.4%) | **1 884** |
| **Ratios** | | | | |
| Claims ratio (%) | **52.0%** | 53.3% | | **52.5%** |
| Accident year claims ratio | **54.5%** | 55.1% | | **54.0%** |
| Prior year development | **(2.5%)** | (1.8%) | | **(1.5%)** |
| Cost-to-income ratio (%) | **29.9%** | 25.1% | | **26.2%** |
| Combined ratio[3] (%) | **83.0%** | 80.0% | | **80.3%** |

1 Includes excess share-based payment to the extent that budgeted costs are exceeded at a segment level.
2 The headline earnings are equal to the normalised earnings as there are no normalised adjustments.
3 After profit share distributions paid to FirstRand Limited.

*Financial results review* continued

## OUTsurance Personal

OUTsurance Personal is the largest segmental contributor to Group profitability and displays a low earnings volatility profile.

**The following salient features were the primary drivers of the OUTsurance Personal results for the six months under review:**

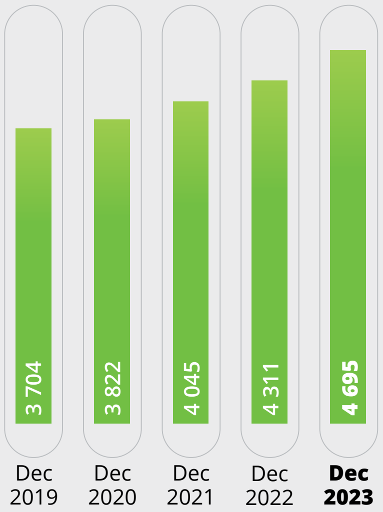
- Gross written premium growth continued to benefit from the high inflationary environment. The segment did deliver real growth in policy count, albeit muted, given the limited real economic growth on offer. Gross written premium grew by 8.9%. Excluding the FirstRand Homeowners, book in run-off, gross written premium expanded by 9.8%.
- The claims ratio improved from 52.2% to 50.9%. This improvement results from disciplined pricing and underwriting action to counter claims inflation as well as the effects of loadshedding and vehicle theft which remain persistent factors driving claims cost.
- The cost-to-income ratio of 20.6% is marginally higher compared to the prior year due to higher acquisition costs.

The table below sets out the key financial outcomes for OUTsurance Personal:

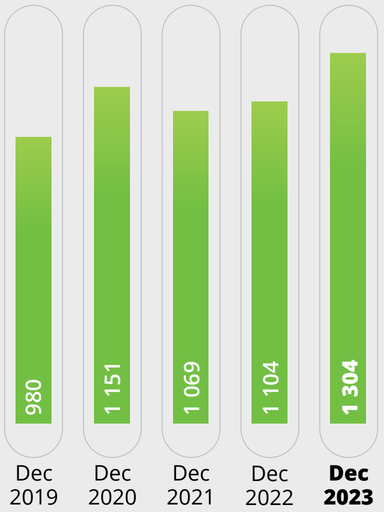
| R million | Six months ended 31 December 2023 | 2022 Restated | % change | Year ended 30 June 2023 Restated |
|---|---|---|---|---|
| Gross written premium | **4 695** | 4 311 | 8.9% | **8 722** |
| Insurance revenue | **4 653** | 4 279 | 8.7% | **8 705** |
| Net earned premium | **4 581** | 4 202 | 9.0% | **8 558** |
| Operating profit | **1 304** | 1 104 | 18.1% | **2 276** |
| **Ratios** | | | | |
| Claims ratio (%) | **50.9%** | 52.2% | | **51.6%** |
| Cost-to-income ratio (%) | **20.6%** | 20.5% | | **20.8%** |
| Combined ratio[1] (%) | **73.0%** | 74.8% | | **74.6%** |

1 After profit share distributions paid to FirstRand Limited.

### OUTsurance PERSONAL – GROSS WRITTEN PREMIUM (R million)

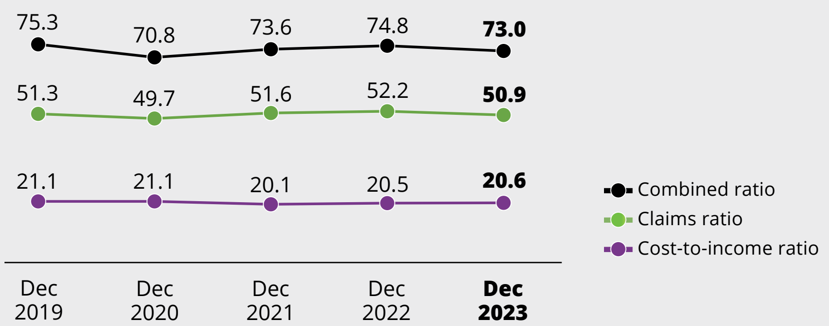



### OUTsurance PERSONAL – OPERATING PROFIT (R million)




Operating results prior to December 2022 are historic IFRS 4 results. Results from December 2022 are restated to the IFRS 17 basis.

### OUTsurance PERSONAL – KEY RATIOS (%)




Ratios prior to December 2022 are historic IFRS 4 performance ratios. Ratios from December 2022 are restated to the IFRS 17 basis.

*Financial results review* continued

## OUTsurance Business

OUTsurance Business is segmented into a Direct and OUTsurance Broker channel (tied-agency). OUTsurance Brokers is focussed on expansion of our commercial insurance market share through face-to-face distribution. This channel represents a major investment for the OHL Group and is approaching break-even.

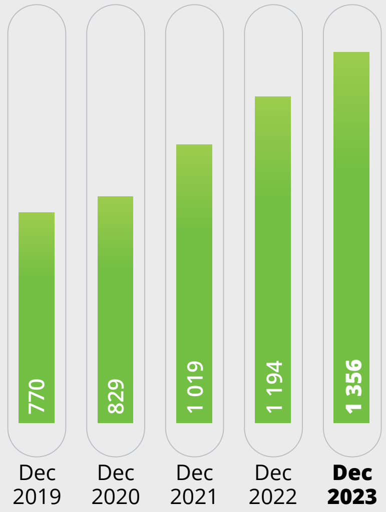
**The following salient features were the primary drivers of the OUTsurance Business results for the six months under review:**

- OUTsurance Business grew gross written premium by 13.6%. OUTsurance Brokers delivered gross written premiums of R737 million, which is 19.4% higher than the comparative period.
- The improvement in the claims ratio from 57.1% to 55.7% is attributed to the OUTsurance Broker segment which was proportionally subject to less new business strain overlaid with continuous enhancements in underwriting.
- The cost-to-income ratio decreased marginally to 32.4%. The pace of the decrease was hindered by the redeployment of OUTsurance Life's face-to-face sales force post the closure of this channel in June 2023. This move created temporary cost strain for OUTsurance Brokers and will normalise as productivity increases over the course of the financial year.
- OUTsurance Brokers generated an operating loss of R27 million which represents a significant improvement on the comparative period. The channel achieved monthly profitability in the 2023 financial year. The profitability progress of the channel has been held back by the impact of the redeployment of the OUTsurance Life sales force as noted above. This outcome has been temporarily tolerated by management given the ability to preserve jobs and coupled with the ambition to further grow the headcount of OUTsurance Brokers. Overall OUTsurance Business generated an operating profit of R175 million which is 47.1% higher than the comparative six months.

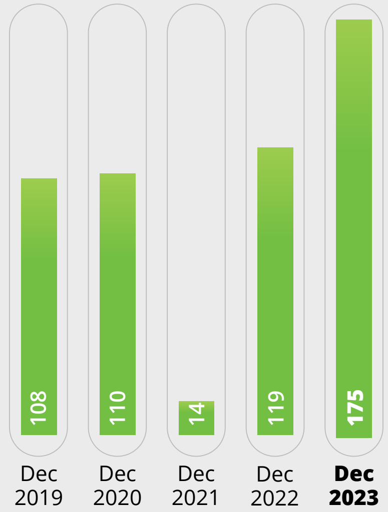
The table below sets out the key financial outcomes for OUTsurance Business:

| R million | Six months ended 31 December 2023 | Six months ended 31 December 2022 Restated | % change | Year ended 30 June 2023 Restated |
|---|---|---|---|---|
| Gross written premium | **1 356** | 1 194 | 13.6% | **2 438** |
| Insurance revenue | **1 346** | 1 180 | 14.1% | **2 432** |
| Net earned premium | **1 315** | 1 159 | 13.5% | **2 380** |
| Operating profit | **175** | 119 | 47.1% | **260** |
| Direct | **202** | 216 | (6.5%) | **389** |
| OUTsurance Broker | **(27)** | (97) | 72.2% | **(129)** |
| **Ratios** | | | | |
| Claims ratio (%) | **55.7%** | 57.1% | | **55.4%** |
| Cost-to-income ratio (%) | **32.4%** | 33.6% | | **34.8%** |
| Combined ratio (%) | **88.1%** | 90.7% | | **90.2%** |

OUTsurance BUSINESS – GROSS WRITTEN PREMIUM (R million)

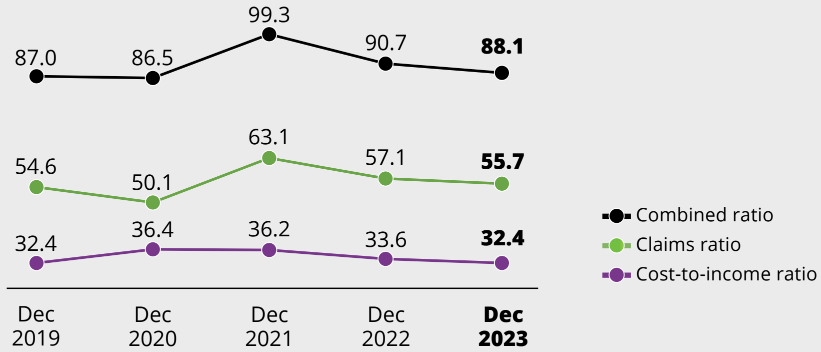



OUTsurance BUSINESS – OPERATING PROFIT (R million)




Operating results prior to December 2022 are historic IFRS 4 results. Results from December 2022 are restated to the IFRS 17 basis.

OUTsurance BUSINESS – KEY RATIOS (%)




Ratios prior to December 2022 are historic IFRS 4 performance ratios. Ratios from December 2022 are restated to the IFRS 17 basis.

## Youi Group

The Youi Group delivered impressive operational growth for the period under review.

Profitability was however lower on account of higher natural perils claims following multiple large storm events during December 2023. Retained natural perils claims for the period represented 15.1% of net earned premium. This compares to an unusually benign comparative period where natural perils losses only represented 8.5% of net earned premiums.

Youi's reporting segments are aggregated as follows:

- Youi Personal which represents all personal insurance products sold via the Direct and BZI channels.
- Youi Business which represents business products sold and administered via the Direct and BZI channels.
- Youi CTP which represents the New South Wales and South Australia CTP markets.

**The following salient features were the primary drivers of the Youi Group results for the six months under review:**

- The Youi Group delivered 31.5% and 25.6% growth in gross written premium in Rand and Australian Dollar terms, respectively. High premium inflation linked to increased claims inflation continues to be a core driver of higher premium income. In addition, Youi has delivered pleasing organic growth aided by good operational execution and a favourable new business cycle in the personal lines business.
- The claims ratio increased from 55.4% to 64.4% owing to significantly higher natural perils claims experienced in the first six months compared to the benign environment of the comparative period. The development of prior year claims was less favourable when compared to historic experience. This outcome is attributed to the high inflationary environment which has made claims reserving for Home claims more uncertain.
- The cost-to-income ratio decreased from 31.2% to 30.0% driven by a significant focus on support cost efficiency and aided by the stronger premium growth.
- Youi's investment income increased from R131 million to R317 million. This increase is attributed to the higher average interest rate environment and the increased size of insurance liabilities following the rapid new business and inflationary growth experienced over the last two years.

The Rand was 4.6% weaker against the Australian Dollar, measured as a reporting period average.

The table below sets out the key financial outcomes for the Youi Group:

| | Six months ended 31 December | | | | | | Year ended 30 June |
|---|---|---|---|---|---|---|---|
| | **2023 R million** | 2022 Restated R million | % change | **2023 A$ million** | 2022 Restated A$ million | % change | **2023 Restated R million** |
| Gross written premium | **10 059** | 7 648 | 31.5% | **824** | 657 | 25.6% | **16 399** |
| Insurance revenue | **8 889** | 6 978 | 27.4% | **729** | 599 | 21.7% | **14 840** |
| Net earned premium | **7 865** | 5 996 | 31.2% | **645** | 515 | 25.0% | **12 788** |
| Operating profit | **619** | 905 | (31.6%) | **51** | 78 | (34.6%) | **1 857** |
| Equity accounted earnings | **50** | 12 | >100% | **4** | 1 | >100% | **37** |
| Investment income | **317** | 131 | >100% | **25** | 11 | >100% | **365** |
| Headline earnings[1] | **556** | 658 | (15.5%) | **46** | 57 | (19.3%) | **1 396** |
| **Ratios** | | | | | | | |
| Claims ratio (%) | **64.4%** | 55.4% | | **64.4%** | 55.4% | | **55.9%** |
| Accident year claims ratio | **65.4%** | 60.4% | | **65.4%** | 60.4% | | **59.2%** |
| Prior year development | **(1.0%)** | (5.0%) | | **(1.0%)** | (5.0%) | | **(3.3%)** |
| Cost-to-income ratio (%) | **30.0%** | 31.2% | | **30.0%** | 31.2% | | **31.7%** |
| Combined ratio (%) | **94.4%** | 86.6% | | **94.4%** | 86.6% | | **87.6%** |
| **AUD/ZAR exchange rate** | | | | | | | |
| Closing | **12.46** | 11.59 | 7.5% | | | | **12.56** |
| Average | **12.19** | 11.65 | 4.6% | | | | **11.99** |

1 The headline earnings are equal to the normalised earnings as there are no normalised adjustments.

## Youi Personal

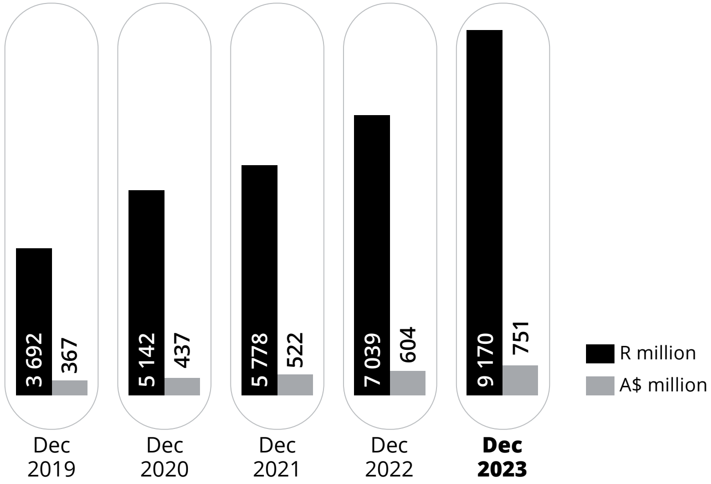
Youi Personal achieved strong premium growth on account of the continued high inflationary environment, good organic growth in the Direct channel and a continued positive growth contribution from the BZI channel.

Gross written premium was higher by 30.3% and 24.3% in Rand and Australian Dollars respectively.

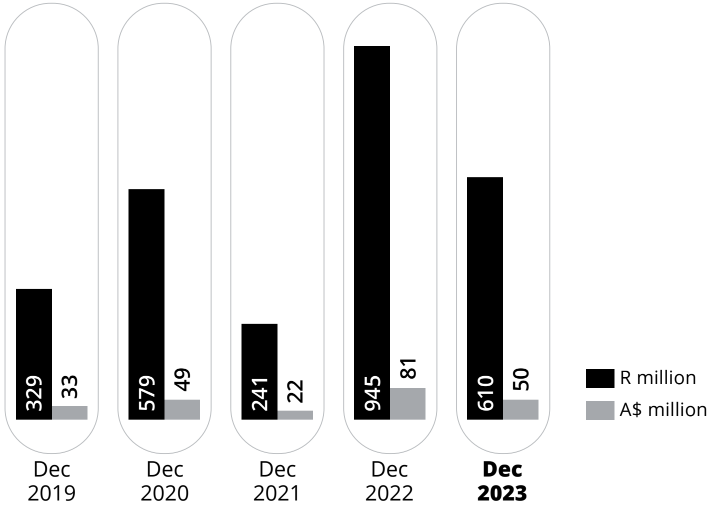
Measured in Rand, operating profit was lower by 35.5% on account of the higher retained natural perils losses following the catastrophe events experienced in December 2023. Excluding natural perils, the business has delivered satisfactory attritional claims performance and has successfully navigated the challenging inflationary environment.

The combined ratio delivered by BZI channel is higher than target and further corrective pricing action is being implemented.

Youi PERSONAL – GROSS WRITTEN PREMIUM (Million)



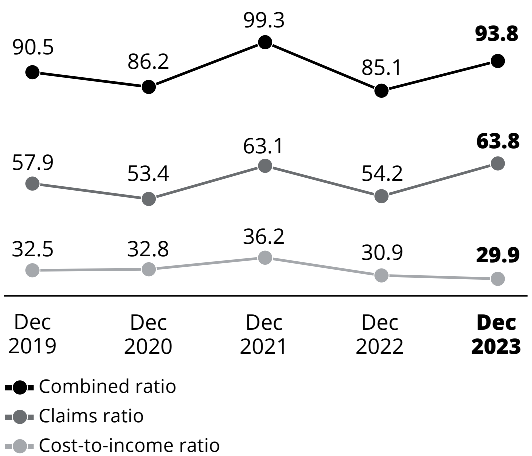

Youi PERSONAL – OPERATING PROFIT (Million)




The table below sets out the key financial outcomes for Youi Personal:

| | Six months ended 31 December | | | | | | Year ended 30 June |
|---|---|---|---|---|---|---|---|
| | **2023 R million** | 2022 Restated R million | % change | **2023 A$ million** | 2022 Restated A$ million | % change | **2023 Restated R million** |
| **R million** | | | | | | | |
| Gross written premium | **9 170** | 7 039 | 30.3% | **751** | 604 | 24.3% | **14 956** |
| Insurance revenue | **8 095** | 6 489 | 24.8% | **664** | 557 | 19.2% | **13 696** |
| Net earned premium | **7 320** | 5 761 | 27.1% | **600** | 495 | 21.2% | **12 237** |
| Operating profit | **610** | 945 | (35.5%) | **50** | 81 | (38.3%) | **1 870** |
| **Ratios** | | | | | | | |
| Claims ratio (%) | **63.8%** | 54.2% | | **63.8%** | 54.2% | | **55.1%** |
| Cost-to-income ratio (%) | **29.9%** | 30.9% | | **29.9%** | 30.9% | | **31.6%** |
| Combined ratio (%) | **93.8%** | 85.1% | | **93.8%** | 85.1% | | **86.6%** |

Youi PERSONAL – KEY RATIOS (%)




Ratios prior to December 2022 are historic IFRS 4 performance ratios. Ratios from December 2022 are restated to the IFRS 17 basis.

*Financial results review* continued

## Youi Business

Youi's Business underwrites small commercial insurance products through the Direct and BZI channels. The significant premium growth realised is attributed to the launch of the BZI commercial product in April 2023 which opened up a new distribution footprint. Despite the new business strain associated with the increase in growth, the Youi Business segment has delivered pleasing margin performance.

| | Six months ended 31 December | | | | | | Year ended 30 June |
|---|---|---|---|---|---|---|---|
| | **2023 R million** | 2022 Restated R million | % change | **2023 A$ million** | 2022 Restated A$ million | % change | **2023 Restated R million** |
| Gross written premium | **531** | 219 | >100% | **44** | 19 | >100% | **606** |
| Insurance revenue | **379** | 156 | >100% | **31** | 13 | >100% | **388** |
| Net earned premium | **357** | 131 | >100% | **29** | 11 | >100% | **316** |
| Operating profit | **11** | 15 | (26.7%) | **1** | 1 | – | **61** |
| **Ratios** | | | | | | | |
| Claims ratio (%) | **65.3%** | 55.7% | | **65.3%** | 55.7% | | **44.6%** |
| Cost-to-income ratio (%) | **33.6%** | 35.1% | | **33.6%** | 35.1% | | **38.3%** |
| Combined ratio (%) | **98.9%** | 90.8% | | **98.9%** | 90.8% | | **82.9%** |

## Youi CTP

The Youi CTP book delivered slower growth compared to recent periods. Operational improvements have resulted in the negative new business trend reversing over the latter part of the reporting period. The South Australia CTP business, launched in July 2022, continues to deliver satisfactory growth.

The claims ratio has showed material improvement in line with pricing adequacy. The experience of the Youi portfolio is not out of line with the industry's overall experience.

We expect the CTP business to break-even over the next two financial years.

| | Six months ended 31 December | | | | | | Year ended 30 June |
|---|---|---|---|---|---|---|---|
| | **2023 R million** | 2022 Restated R million | % change | **2023 A$ million** | 2022 Restated A$ million | % change | **2023 Restated R million** |
| Gross written premium | **358** | 390 | (8.2%) | **29** | 33 | (12.1%) | **837** |
| Insurance revenue | **415** | 333 | 24.6% | **34** | 29 | 17.2% | **756** |
| Net earned premium | **188** | 104 | 80.8% | **15** | 9 | 66.7% | **235** |
| Operating loss | **(2)** | (55) | 96.4% | **–** | (5) | 100.0% | **(74)** |
| **Ratios** | | | | | | | |
| Claims ratio (%) | **84.0%** | 123.1% | | **84.0%** | 123.1% | | **112.8%** |
| Cost-to-income ratio (%) | **27.7%** | 39.4% | | **27.7%** | 39.4% | | **29.8%** |
| Combined ratio (%) | **111.7%** | 162.5% | | **111.7%** | 162.5% | | **142.6%** |

## OUTsurance Ireland

OUTsurance Ireland obtained regulatory authorisation to trade as a non-life insurance undertaking in the Irish car and home insurance market. The business is in soft launch phase to test systems and processes. It is anticipated that the business will be further activated during the next quarter. The operational loss of R64 million represents the start-up costs to prepare the business for the market entry. It is expected that OUTsurance Ireland will have a five-year break-even trajectory.

*Financial results review* continued

## OUTsurance Life

IFRS 17 has introduced significant reporting changes for OUTsurance Life. We have aimed to align the reporting of our key performance indicators with the principles introduced by IFRS 17. Embedded Value is a customary measure, particularly used by South African investors, to derive an enterprise value for a Life insurance book. We believe that as IFRS 17 becomes a familiar basis of accounting that the Embedded Value is expected to be replaced by the Contractual Service Margin (CSM) plus the net asset value and an allowance for cost of capital at reporting date. With this forward looking view in mind, we have adjusted the calculation basis of the OUTsurance Life Embedded Value to improve alignment with the IFRS 17 principles.

*A detailed description of changes are provided in the OUTsurance Life Embedded Value Report on **page 22**.*

OUTsurance Life delivered a satisfactory financial performance within the context of a challenging economic environment. The financial results benefitted from the growth experienced in the funeral book coupled with favourable effects of yield curve movements. Also benefitting the profitability profile of OUTsurance Life is the cessation of the face-to-face distribution strategy since June 2023. Operating profit recovered significantly to R57 million driven by a significant improvement in the profitability of the Underwritten Life and Funeral books. Consequently headline earnings increased to R70 million.

OUTsurance Life achieved an increase in the VNB margin to 8.9%, from (2.3%) in the comparative period. This improvement is attributed to an increasing mix change towards more profitable funeral business.

Since June 2023 the Embedded Value decreased by 1.9% to R1 843 million. The decrease is as a result of the special dividend distribution during the period under review.

The CSM represents the present value of the expected future profit to be generated by the in-force book of business. The is a new measure introduced by IFRS 17 and is a primary reporting output under the new accounting standard. Since June 2023, OUTsurance Life's CSM increased by 12.0% to R1 461 million. The growth in the CSM was driven by the strong growth in new Funeral business.

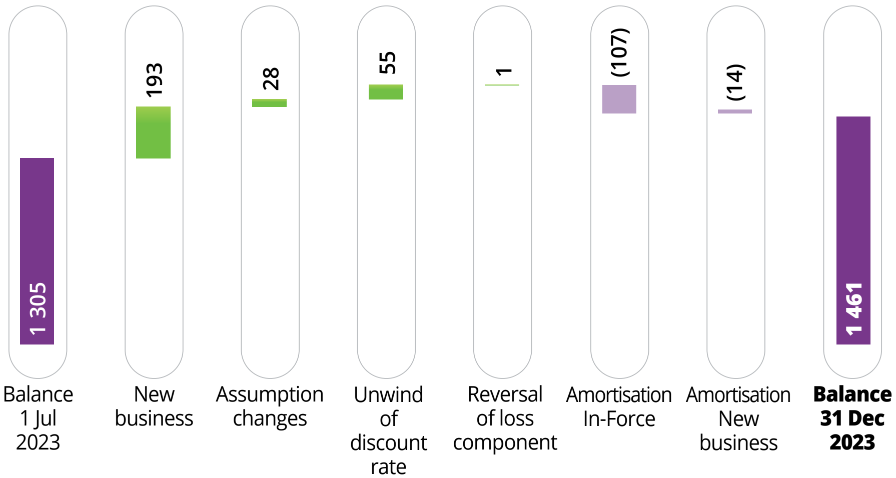
The table below sets out the key financial outcomes for OUTsurance Life:

| R million | **Six months ended 31 December** **2023** | 2022 Restated | % change | **Year ended 30 June** **2023 Restated** |
|---|---|---|---|---|
| Operating profit/(loss) | **57** | (15) | >100% | **145** |
| Underwritten Life (incl Life face-to-face in run-off) | **71** | (29) | >100% | **133** |
| Funeral (Direct and Shoprite) | **33** | 18 | 83.3% | **21** |
| Central | **(47)** | (4) | >(100%) | **(9)** |
| Headline earnings[1] | **70** | 13 | >100% | **142** |
| Embedded value | **1 843** | 1 421 | 29.7% | **1 878** |
| Return on embedded value (%) | **21.8%** | (17.6%) | | **20.6%** |
| VNB margin (%)[2] | **8.9%** | (2.3%) | | **1.9%** |
| Value of new business written | **37** | 2 | >100% | **15** |
| Contractual service margin (IFRS 17)[3] | **1 461** | 1 115 | 31.0% | **1 305** |

1 The headline earnings are equal to the normalised earnings as there are no normalised adjustments.
2 The VNB margin is the outcome before allowing for the any trailing new business effects of the discontinued Life face-to-face channel.
3 The Contractual Service Margin (CSM) is introduced by IFRS 17 and represents the expected future profit (on a pre-tax basis) to be realised from the in-force book at the reporting date.

The graph below illustrates the movement in the CSM for the period 1 July 2023 to 31 December 2023 and illustrates the new business added and the in-force business amortised. New business added exceeded the amortisation of in-force business driven by the positive growth in the funeral segment.

CSM MOVEMENT ANALYSIS (R million)



## Capital position

The table below shows the solvency position of the OHL Group and its licensed operations at 31 December 2023 and recent reporting periods. IFRS 17 has had no impact on the capital position of the OHL Group.

During the six-month period, the Group acquired a further 2.6% in Youi from a minority and deployed EUR 89.1 million to OUTsurance Ireland. This capital injection and the Youi minority acquisition was part funded by surplus Group capital and a drawdown of the OHL Group's Revolving Credit Facility (RCF) of R1.2 billion. It is expected that the RCF will be incrementally settled over the next five years in line with the absorption of the OUTsurance Ireland's capital contribution by start-up losses and regulatory capital requirements. The OHL Group is committed to provide further capital of EUR 10 million per year to OUTsurance Ireland over the next six years. In aggregate these annual instalments are less than the capital contributed to date.

| | **Six months ended 31 December** | | | **Year ended 30 June** |
|---|---|---|---|---|
| Solvency coverage ratio | **2023** | 2022 | Target | **2023** |
| OHL Group | **2.2** | 2.3 | 1.5 | **2.2** |
| **Property and Casualty insurance** | | | | |
| OUTsurance | **1.5** | 1.7 | 1.3 | **1.6** |
| Youi Group | **2.2** | 2.4 | 1.9 | **2.3** |
| OUTsurance Ireland Group | **23.6** | n/a | 1.5 | **n/a** |
| **Long-term insurance** | | | | |
| OUTsurance Life | **3.0** | 2.4 | 1.5 | **3.2** |

In the year-end reporting cycle we were concerned about the hardening of the reinsurance markets, in particular where it relates to the pricing and retention of catastrophe risk. The SCR of each entity is sensitive to the attachment point of the catastrophe programmes, particularly at Youi where the attachment point is proportionally higher compared to OUTsurance. Recent market trends suggest that reinsurance market pressure is abating.

The directors' valuation of the RMI Treasury Company portfolio is between R2.5 and R2.9 billion. Of this amount, R1.2 billion is represented by financial assets and the remainder being the fair value estimates of the equity positions held in the portfolio investments, These values do not impact the capital position of the Group.

## Interim dividend

- The dividend profile is linked to earnings as there is a high correlation between earnings and cash generation.
- Free cash generation is impacted by the rate of premium growth in the business. During a period of high growth, such as the current, a larger proportion of earnings is retained to support the growth in the capital requirement.
- The OHL Group funds organic growth from retained earnings.
- Debt is not considered to be a permanent part of the long-term funding mix of the business due to the high rate of cash generation and strong ROE profile. Temporary debt is being utilised to fund the OUTsurance Ireland initiative. This debt is in the form of a Revolving Credit Facility which provides repayment flexibility. It is expected that the debt will be settled over the next five years in line with OUTsurance Ireland's utilisation of contributed capital.

Other than allowing for immaterial head office costs we expect that ordinary dividends paid by OHL to OGL to completely flow through to OGL shareholders. This is evidenced by the practice since the 2023 interim dividend. Capital surpluses arising from the activities of RMI Treasury Co, such as disposals of investee companies, will be considered as OGL special dividends and expected to be declared at final dividend stage each year. This classification allows for a clear view of the flow of operational dividends from the OHL Group to OGL shareholders.

The table below sets out the interim dividend for OGL and OHL. OGL declared an interim dividend of 61.2 cents per OGL ordinary share which is 7.7% higher than the comparative period. The increase in the dividend is enabled by a stronger dividend pay-out ratio at Youi, a resumption of dividend payments from OUTsurance Life and reduced uncertainty related to reinsurance conditions.

| | **Six months ended 31 December** | | **Year ended 30 June** |
|---|---|---|---|
| | **2023** | 2022 | **2023** |
| Ordinary dividend (cents per share) | **61.2** | 56.8 | **134.8** |
| Special dividend (cents per share) | **–** | – | **8.5** |

The total dividend paid by OGL is R938 million which is equal to 89.8% of the R1 045 million ordinary dividend paid by OHL.

## IFRS 17 transitional impact

The OHL Group adopted IFRS 17 with effect from 1 July 2022. The table below illustrates the transitional impact on historic earnings as well as the net asset value of the insurance entities and the consolidated OHL Group.

| R million | OHL Group | OUTsurance | Youi | OUTsurance Life |
|---|---|---|---|---|
| **Impact on operating profit/(loss)** | | | | |
| Six months ended 31 December 2022 | 109 | 7 | 14 | 85 |
| IFRS 4 previously reported | 1 894 | 1 121 | 888 | (100) |
| IFRS 17 restated | 2 003 | 1 128 | 902 | (15) |
| IFRS 17 restatement effect (%) | 5.8% | 0.6% | 1.6% | 85.0% |
| Year ended 30 June 2023 | 99 | 40 | 18 | 44 |
| IFRS 4 previously reported | 4 068 | 2 244 | 1 840 | 102 |
| IFRS 17 restated | 4 167 | 2 284 | 1 858 | 146 |
| IFRS 17 restatement effect (%) | 2.4% | 1.8% | 1% | 43.1% |
| **Impact on net asset value** | | | | |
| Transitional impact on net asset value at 1 July 2022 | R350.2 million increase or 3.4% | R39.9 million increase or 1.3% | R9.5 million increase or 0.2% | R300.8 million increase or 40.2% |
| **Key considerations** | Earnings pattern is largely unchanged given that earnings is predominantly derived from P&C activities. No notable impact on cash generation or dividends. | IFRS 17 has a limited impact on financial performance. The effect of discounting claims liabilities has the most notable impact. No impact on cash generation or dividends. | IFRS 17 has a limited impact on financial performance. The effect of discounting claims liabilities has the most notable impact. No impact on cash generation or dividends. | IFRS 17's transitional impact is material as a result of a lower discretionary and compulsory margins being applied compared to IFRS 4. IFRS 17 is expected to show faster recognition of earnings for new business as a result of the treatment of deferred acquisition costs and lower risk margins raised at inception. As a result of the transitional release of risk margins, earnings for in-force business will be lower compared to IFRS 4.<br><br>The impact on the NAV is slightly lower than the range reported on at 30 June 2023, due to refinement of the operational processes relating to the directly attributable expenses. |

## Looking ahead

Over the last year we have taken significant action to rationalise our portfolio of products and channels to ensure that our growth strategy is focussed to where we optimise our return on capital. This year's focus is to continue investing in our core businesses where we see opportunities for organic growth and profitable market share expansion. Our teams are focused on cost optimisation as a core ingredient to pricing competitively.

We look forward to a successful market entry of OUTsurance Ireland over the next quarter. Our entry will be measured to ensure that systems and processes, pricing and customer service are streamlined to form a foundation for a successful business.

Our new initiatives will continue to emerge from losses and contribute to Group profitability. A particular focus is on the OUTsurance Business Broker initiative and the profitability of business written in the BZI channel.

We expect that the South African economy will continue to deliver range bound economic growth. We expect some real growth opportunities stimulated by higher natural perils claims and solar penetration. Our focus is to drive competitive alternatives for customers through the optimisation and efficiency of our core businesses.

The Australian economy is in a stronger position and offers real growth opportunities in the insurance sector where shopping activity is stimulated by the high inflationary environment. As a challenger brand, we remain excited by Youi's growth prospects.

We expect that premium inflation will start normalising over the next 12 to 24 months with a sticky near term outlook.

Weather patterns will continue to impact our earnings volatility in the Group and periods of high weather related losses coupled with reinsurance pricing disruption will drive higher premium inflation in the markets in which we operate. We look forward to the long-term earnings diversification that the OUTsurance Ireland opportunity offers as well as organic diversification enabled through increased Business, CTP and life insurance penetration.

# Events after reporting period

The directors are not aware of any material events as defined in IAS 10, occurring between 31 December 2023 and the date of the authorisation of the financial results.

The following corporate actions became either unconditional and/or completed subsequent to 31 December 2023, the financial effects will be recorded in the second half of the financial year:

- **On 23 January 2024, the Competition Tribunal of South Africa approved the transaction whereby the Group will sell its interest in RMI Investment Managers, excluding PolarStar Management. The transaction is expected to be completed by end of March 2024.**
- **The disposal of OUTvest to Alexander Forbes was completed with effect 1 February 2024.**

**Marthinus Visser**
Chief Executive Officer

18 March 2024

**Herman Bosman**
Chairman

18 March 2024

# Cash dividend declaration

Notice is hereby given that an ordinary gross interim cash dividend of 61.2 cents per OUTsurance Group Limited ordinary share, payable out of income reserves, was declared on 18 March 2024 in respect of the six months ended 31 December 2023.

These dividends will be subject to Dividend Withholding Tax at a rate of 20%, which will result in a net dividend of 48.960 cents per ordinary share for those shareholders who are not exempt.

The company's tax reference number is 9469/826/16/9. Its issued share capital at the declaration date comprises 1 533 388 983 ordinary shares.

**Shareholders' attention is drawn to the following important dates:**

| | |
|---|---|
| Last day to trade in order to participate in the ordinary dividend | Tuesday 09 April 2024 |
| Shares commence trading ex-dividend on | Wednesday 10 April 2024 |
| The record date for the payment of the dividend will be | Friday 12 April 2024 |
| Dividend payment date | Monday 15 April 2024 |

No dematerialisation or rematerialisation may be done between Wednesday 10 April 2024 and Friday 12 April 2024 (both days inclusive).

By order of the OUTsurance Group Limited board.

**Schalk Human**
Company Secretary

Centurion

18 March 2024

# Investor call

Marthinus Visser, (Group Chief Executive Officer) invites you to join him in conversation about the performance for the six months ended 31 December 2023. The investor call will take place virtually on Monday 18 March 2024 at 10am.

**CLICK BELOW TO JOIN:**

**WEBCAST**

**CONFERENCE CALL**

Alternatively, you can obtain the link by email to **investorrelations@out.co.za**

# Normalised earnings reconciliation

Normalised earnings exclude financial items which are of a once-off or non-operational nature to enable a more accurate reflection of the OGL Group's underlying operational and economic performance. The primary results and accompanying commentary are therefore presented with reference to the normalised earnings performance of the OGL Group and its operating activities.

## OUTsurance Group Limited

| R million | Six months ended 31 December 2023 | 2022 Restated | % change | Year ended 30 June 2023 Restated |
|---|---|---|---|---|
| IFRS earnings for the period | **2 074** | 1 674 | 23.9% | 3 417 |
| Non-controlling interest | **(183)** | (221) | 17.2% | (437) |
| **IFRS earnings attributable to ordinary shareholders** | **1 891** | 1 453 | 30.1% | 2 980 |
| Profit on dilution of associates | **(471)** | – | | (1) |
| Profit on disposal of associates | **(78)** | (47) | | (47) |
| Realised foreign exchange gain on sale of investment in associate | **(5)** | – | | – |
| Loss/(profit) on disposal of property and equipment | **1** | – | | (4) |
| Profit on distribution of associates | **–** | (1) | | – |
| Impairments of investments in associates | **–** | – | | 17 |
| Loss on write-down of intangible asset | **–** | – | | 13 |
| Tax effect of headline earnings adjustments | **63** | 9 | | 5 |
| **Headline earnings attributable to ordinary shareholders** | **1 401** | 1 414 | (0.9%) | 2 963 |
| Losses/(gains) on derivative financial instruments relating to capital investments | **10** | – | | (3) |
| Group treasury shares | **(2)** | (12) | | (25) |
| Amortisation of intangible assets relating to business combinations | **2** | 2 | | 4 |
| **NORMALISED EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS** | **1 411** | 1 404 | 0.5% | 2 939 |

*Earnings and capital reconciliation* continued

## Capital reconciliation

The table below provides a reconciliation and aggregation of the regulatory own funds and solvency capital requirement (SCR) of the OHL Group at 31 December 2023 and the end of the 2023 financial year.

| R million | OUTsurance | OUTsurance Life | Youi Group | OUTsurance Ireland | Central[1] | OHL Group |
|---|---|---|---|---|---|---|
| **31 December 2023** | | | | | | |
| **Own funds** | | | | | | |
| Net asset value – IFRS[1] | **3 442** | **1 021** | **5 562** | **1 902** | **150** | **12 077** |
| Own funds adjustments per prudential standards | **89** | **984** | **872** | **–** | **(625)** | **1 320** |
| Regulatory own funds | **3 531** | **2 005** | **6 434** | **1 902** | **(475)** | **13 397** |
| **Solvency capital requirement** | | | | | | |
| SCR per standard formula | **2 341** | **674** | **2 939** | **81** | **190** | **6 225** |
| Additional capital for target and operational buffer | **702** | **337** | **2 645** | **40** | **270** | **3 994** |
| At target | **702** | **337** | **1 763** | **40** | **270** | **3 112** |
| Operational buffer | **–** | **–** | **882** | **–** | **–** | **882** |
| Surplus capital above target and operational buffer | **488** | **994** | **850** | **1781** | **(935)** | **3 178** |
| SCR ratio | **1.5** | **3.0** | **2.2** | **23.6** | **–** | **2.2** |
| Target SCR ratio | **1.3** | **1.5** | **1.9** | **1.5** | **1.0** | **1.5** |
| Target | **1.3** | **1.5** | **1.6** | **1.5** | **1.0** | **1.5** |
| Operational buffer | **–** | **–** | **0.3** | **–** | **–** | **–** |
| **30 June 2023** | | | | | | |
| Regulatory own funds | 3 446 | 2 058 | 6 364 | – | 941 | 12 809 |
| SCR per standard formula | 2 201 | 645 | 2 763 | – | 153 | 5 762 |
| SCR ratio | 1.6 | 3.2 | 2.3 | – | 6.1 | 2.2 |
| Target SCR ratio | 1.3 | 1.5 | 1.9 | – | 1.0 | 1.5 |

1 Includes OHL, non-regulated entities and associates and is net of consolidation entries.

# Embedded value

## Embedded value results

### Definition

Actuarial Practice Note (APN) 107 provides guidance on the way in which embedded values of life insurance companies are reported. In particular, the principles surrounding the calculation of a market consistent embedded value were followed.

The embedded value (EV) of covered business is the present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. It is calculated on an after-tax basis taking into account current legislation and known future changes.

The embedded value of covered business consists of:

- Adjusted net worth (ANW); plus
- The value of in-force covered business (PVIF); less
- The cost of non-hedgeable risk (CNHR); less
- The frictional cost of capital (CoC).

The ANW of covered business is calculated on the published accounting (IFRS 17) basis and is defined as the value of all assets attributed to the covered business that are not required to back the liabilities of the covered business. For OUTlife all business is covered business, and therefore the ANW is set equal to the net asset value as per the IFRS 17 balance sheet.

The PVIF is the present value of future shareholder cash flows projected to emerge from the assets backing liabilities of the in-force covered business. The main component of the PVIF consists of the Contractual Service Margin (CSM), which contains the profits expected to emerge from covered business, gross of the Risk Adjustment (RA). The PVIF is then adjusted down by the discounted value of the future non-attributable expenses, since only the attributable expenses were allowed for in calculating the CSM, as well as for tax.

The EV is adjusted down for the cost of the shareholders accepting non-hedgeable (i.e. underwriting/insurance) risks, with the RA (appropriately netted down for tax) being seen as an appropriate allowance for the cost of such non-hedgeable risk.

The Required Capital (RC) is defined as all assets attributed to the covered business over and above the amount required to back liabilities for covered business whose distribution to shareholders is in practice restricted. The RC takes the capital held under both the Published Reporting (IFRS 17) basis and Regulatory basis into consideration, as well as any liquidity requirement constraints faced by OUTsurance Life.

*RC=MAX(Regulatory RC, IFRS Margin, MLR)*

The Regulatory Required Capital (Regulatory RC) is measured on the regulatory basis by considering the capital required in a 1-in-200 year event, assuming no other margins are kept elsewhere and with the liabilities calculated on a best estimate basis. For OUTsurance Life the Regulatory RC is set at 1.5 times SCR, that is:

*Regulatory RC=Target SCR ratio X SCR=1.5 X SCR*

On the published reporting basis, some shareholder assets are restricted for distribution by way of keeping margins within the insurance contract liabilities. These margins, after allowing for tax, in itself form a capital amount that is restricted for distribution to shareholders. This is calculated by:

*IFRS Margin=(IFRS LRC – regulatory BEL) X (1–tax %)*

*with LRC = the liability for remaining coverage.*

From a liquidity requirements perspective, it must also be ensured that enough assets are held as capital that are liquid in nature in order to meet the liquidity requirements of the company. This Minimum Liquidity Requirement (MLR) is set with reference to the LIQ test performed under the regulatory standards, specifically:

*MLR=MIN(0,Cashflow requirementslife)+SCRop*

*with SCRop = operational risk charge.*

Considering these constraints, the additional capital that needs to be held in excess of the capital held within the IFRS margin (the Residual Required Capital, or Residual RC) can be formulated as:

*Residual RC=MAX(Regulatory RC–IFRS Margin, MLR)*

The CoC is the difference between the amount of required capital and the present value of future releases of this capital, allowing for future net of tax investment returns and charges expected on this capital.

All discounted values are discounted at a risk-free rate.

*Embedded value results continued*

## Definition *continued*

The value of new business (VNB) is calculated as the discounted value, at point of sale, of the projected stream of after-tax profits for new covered business issued during the past 6 months. The projected stream of after-tax profits is calculated in line with the PVIF on covered business outlined above, including the adjustment for non-attributable expenses. The value of new business is also reduced by the cost of capital for new covered business, as well as the cost of non-hedgeable risk. The value of new business has been calculated on closing assumptions. Profitability of new covered business (the VNB margin) is measured by the ratio of the net discounted profits arising from new business (after allowing for the cost of capital) to the present value of new business premiums (gross of reinsurance).

## Embedded value

The table below provides a breakdown of the EV for OUTsurance Life:

| | **31 December 2023 R'000** | 31 December 2022 Restated R'000 | 30 June 2023 R'000 |
|---|---|---|---|
| **Embedded value of covered business** | | | |
| Covered business ANW | **1 061 896** | 1 061 373 | 1 233 042 |
| Free surplus | **1 016 379** | 1 018 565 | 1 190 998 |
| Required capital | **45 517** | 42 808 | 42 044 |
| Present value of in-force business | **966 327** | 850 537 | 898 611 |
| Cost of non-hedgeable risk | **(138 171)** | (156 948) | (136 630) |
| Cost of Capital | **(46 777)** | (334 350) | (116 811) |
| Embedded value of covered business | **1 843 275** | 1 420 612 | 1 878 212 |
| **Present value of gross premiums (in-force book)** | **5 682 995** | 4 788 820 | 5 216 041 |
| **Annualised return on embedded value** | **21.8%** | (17.6%) | 20.6% |

From June 2023 to December 2023, the embedded value of OUTsurance Life decreased by R34.9 million. This is due to a dividend payment for R240.0 million. Earnings before the dividend are equal to R205.1 million. A breakdown of the change in embedded value can be found in the analysis of embedded value earnings section below.

## Embedded value earnings

| | ANW R'000 | PVIF[1] R'000 | Cost of capital R'000 | **Embedded value R'000** |
|---|---|---|---|---|
| **Embedded value earnings for the reporting period at December 2023 (6 months)** | | | | |
| Embedded value at end of the period | 1 061 896 | 828 156 | (46 777) | **1 843 275** |
| Dividends paid | 240 000 | – | – | **240 000** |
| Embedded value at beginning of the period | (1 233 042) | (761 981) | 116 811 | **(1 878 212)** |
| **Embedded value earnings for the period** | 68 854 | 66 175 | 70 034 | **205 063** |
| **Annualised Return on Embedded Value** | | | | **21.8%** |
| **Embedded value earnings for the reporting period at December 2022 (6 months)** | | | | |
| Embedded value at end of the period | 1 061 373 | 693 589 | (334 350) | **1 420 612** |
| Dividends paid | – | – | – | **–** |
| Embedded value at beginning of the period | (1 048 541) | (653 164) | 144 404 | **(1 557 301)** |
| **Embedded value earnings for the period** | 12 832 | 40 425 | (189 946) | **(136 689)** |
| **Annualised Return on Embedded Value** | | | | **(17.6%)** |

*1 Net of CNHR.*

***Embedded value results*** *continued*

## Analysis of embedded value earnings

| | ANW R'000 | PVIF R'000 | Cost of capital R'000 | **Embedded value R'000** |
|---|---|---|---|---|
| **Components of embedded value earnings at December 2023 (6 months)** | | | | |
| **Embedded value operating return** | 73 315 | 66 175 | (3 099) | **136 391** |
| Value of new business at point of sale | 2 703 | 93 908 | (717) | **95 894** |
| Expected return on covered business | – | 59 394 | (1 526) | **57 868** |
| Expected profit transfer | 97 977 | (97 977) | (3 139) | **(3 139)** |
| Operating experience variances | (32 860) | 8 840 | 596 | **(23 424)** |
| Operating model changes | 2 814 | 10 556 | 1 446 | **14 816** |
| Operating assumption changes | 3 631 | (9 256) | 224 | **(5 401)** |
| Assessment of onerosity after changes in estimates period end | (950) | 710 | 17 | **(223)** |
| **Embedded value non-operating return** | 51 593 | – | 73 133 | **124 726** |
| Investment return variances | 40 539 | – | – | **40 539** |
| Effect of economic assumption changes | 11 054 | – | 73 133 | **84 187** |
| **Other Revenue Items** | (56 054) | – | – | **(56 054)** |
| Non-attributable expenses | (58 948) | – | – | **(58 948)** |
| Income on endowment | 9 271 | – | – | **9 271** |
| Preference dividend paid | (6 377) | – | – | **(6 377)** |
| **Embedded value earnings** | 68 854 | 66 175 | 70 034 | **205 063** |

From June 2023 to December 2023, the annualised return on Embedded Value was 21.8%. This is attributable to positive contributions to the EV from the ANW, CoC, CNHR and the PVIF.

The ANW increased by R68.9 million over the period and was driven by market movements resulting from an increase in the yield curves used in the economic assumptions, as well as profit transfers from existing business. The PVIF increased by R66.2 million over the period which was driven primarily by the expected profits generated from new business written over the period as well as the expected return on covered business. This R66.2 million also includes changes in the RA used to calculate the CNHR. The cost of the required capital for OUTsurance Life decreased over the period by R70.0 million due to the decreased economic risk caused by the volatility in the yield curves mentioned above.

*Embedded value results continued*

## Analysis of embedded value earnings *continued*

| Components of embedded value earnings at December 2022 (6 months) | ANW R'000 | PVIF R'000 | Cost of capital R'000 | Embedded value R'000 |
|---|---|---|---|---|
| **Embedded value operating return** | 69 911 | 40 425 | (12 417) | 97 919 |
| Value of new business at point of sale | (41 580) | 104 842 | (5 836) | 57 426 |
| Expected return on covered business (unwind) | – | 4 605 | 56 | 4 661 |
| Expected profit transfer | 78 978 | (78 978) | (7 093) | (7 093) |
| Operating experience variances | 35 805 | 17 873 | 115 | 53 793 |
| Operating model changes | – | – | – | – |
| Operating assumption changes | (3 199) | (7 998) | 334 | (10 863) |
| Assessment of onerosity after changes in estimates period end | (93) | 81 | 7 | (5) |
| **Embedded value non-operating return** | (23 611) | – | (177 529) | (201 140) |
| Investment return variances | 17 656 | – | – | 17 656 |
| Effect of economic assumption changes | (41 267) | – | (177 529) | (218 796) |
| **Other Revenue Items** | (33 468) | – | – | (33 468) |
| Non-attributable expenses | (25 867) | – | – | (25 867) |
| Income on endowment | (2 352) | – | – | (2 352) |
| Preference dividend paid | (5 249) | – | – | (5 249) |
| **Embedded value earnings** | 12 832 | 40 425 | (189 946) | (136 689) |

Additional detail on key items in the analysis of embedded value can be found below:

### Assumption & Model changes

| | **31 December 2023** | | | 31 December 2022 Restated | | |
|---|---|---|---|---|---|---|
| | **ANW[1] R'000** | **VIF[2] R'000** | **EV R'000** | ANW[1] R'000 | VIF[2] R'000 | EV R'000 |
| Decrement risk (mortality and morbidity) | **(5 106)** | **(14 535)** | **(19 641)** | – | – | – |
| Expenses | **(3 191)** | **(4 305)** | **(7 496)** | (3 831) | (7 998) | (11 829) |
| Model and other changes | **16 412** | **20 140** | **36 552** | 966 | – | 966 |
| **Assumption and model changes** | **8 115** | **1 300** | **9 415** | (2 865) | (7 998) | (10 865) |

1 Net of CoC.
2 Net of CNHR.

***Embedded value results*** *continued*

## Analysis of embedded value earnings *continued*

### Economic assumption changes

| | **31 December 2023** | | | 31 December 2022 Restated | | |
|---|---|---|---|---|---|---|
| | **ANW[1] R'000** | **VIF[2] R'000** | **EV R'000** | ANW[1] R'000 | VIF[2] R'000 | EV R'000 |
| Economic assumptions impact on liabilities | **84 187** | **–** | **84 187** | (218 796) | – | (218 796) |
| Other Investment variance | **40 539** | **–** | **40 539** | 17 656 | – | 17 656 |
| **Economic variance** | **124 726** | **–** | **124 726** | (201 139) | – | (201 139) |

1 Net of CoC.
2 Net of CNHR.

## Embedded value reconciliation

The below table reconciles the embedded value to the IFRS excess assets.

| | **31 December 2023 R'000** | 31 December 2022 Restated R'000 |
|---|---|---|
| IFRS Excess Assets | **1 061 895** | 1 061 373 |
| Add Present Value of Future Profits | **966 327** | 850 537 |
| Less: Cost of non-hedgeable Risk | **(138 171)** | (156 948) |
| Less: Cost of Capital | **(46 777)** | (334 350) |
| **Embedded Value** | **1 843 275** | 1 420 612 |

## Value of new business

The total VNB margin for OUTsurance Life increased over the last 6 months. However, the total margin was distorted by the heavy launch costs and expense drag of the recently launched Face-to-Face product which disproportionately percolates into the profitability projections as at 30 June 2023. This drag has since reduced given that the product is no longer actively sold which increases the VNB margin.

| | **31 December 2023 R'000** | 31 December 2022 Restated R'000 | 30 June 2023 Restated R'000 |
|---|---|---|---|
| **Value of new business (6 months)** | | | |
| Gross value of new business | **48 030** | 7 156 | 39 416 |
| Cost of capital | **(11 098)** | (18 775) | (24 768) |
| **Value of new business** | **36 932** | (11 619) | 14 648 |
| **Present value of gross premiums (new business)** | **414 348** | 509 322 | 774 822 |
| **New business margin** | **8.9%** | (2.3%) | 1.9% |

## Embedded value sensitivities

The following table sets out the results of the sensitivity analysis that was performed on the value of the in-force book of business as well as new business. The shocks applied are prescribed by APN 107.

| | Gross value of in-force[1] R'000 | Cost of capital R'000 | Net value of in-force R'000 | % Change |
|---|---|---|---|---|
| **Value of in-force sensitivity analysis at December 2023** | | | | |
| Base | **828 156** | **(46 777)** | **781 379** | |
| 1% decrease in the interest rate environment | **819 731** | **(88 509)** | **731 222** | **(6.4%)** |
| 10% decrease in maintenance expenses | **864 145** | **(42 040)** | **822 105** | **5.2%** |
| 10% decrease in lapse rates | **859 037** | **(54 015)** | **805 022** | **3.0%** |
| 5% decrease in morbidity and mortality rates | **939 026** | **(37 309)** | **901 717** | **15.4%** |

1 Net of CNHR.

| | Gross value of in-force[1] R'000 | Cost of capital R'000 | Net value of in-force R'000 | % Change |
|---|---|---|---|---|
| **Value of new business sensitivity analysis at December 2023** | | | | |
| Base | **48 030** | **(11 098)** | **36 932** | |
| 1% decrease in the interest rate environment | **56 271** | **(15 330)** | **40 941** | **10.9%** |
| 10% decrease in maintenance expenses | **50 545** | **(10 831)** | **39 714** | **7.5%** |
| 10% decrease in new business acquisition expenses | **61 456** | **(11 098)** | **50 358** | **36.4%** |
| 10% decrease in lapse rates | **64 756** | **(21 890)** | **42 866** | **16.1%** |
| 5% decrease in morbidity and mortality rates | **50 513** | **(10 883)** | **39 630** | **7.3%** |

1 Net of CNHR.

| | Gross value of in-force[1] R'000 | Cost of capital R'000 | Net value of in-force R'000 | % Change |
|---|---|---|---|---|
| **Value of in-force sensitivity analysis at December 2022** | | | | |
| Base | 693 589 | (334 350) | 359 239 | |
| 1% decrease in the interest rate environment | 626 888 | (523 685) | 103 203 | (71.3%) |
| 10% decrease in maintenance expenses | 726 301 | (326 217) | 400 084 | 11.4% |
| 10% decrease in lapse rates | 698 216 | (373 877) | 324 339 | (9.7%) |
| 5% decrease in morbidity and mortality rates | 787 026 | (329 861) | 457 165 | 27.3% |

1 Net of CNHR.

| | Gross value of in-force[1] R'000 | Cost of capital R'000 | Net value of in-force R'000 | % Change |
|---|---|---|---|---|
| **Value of new business sensitivity analysis at December 2022** | | | | |
| Base | 7 156 | (18 775) | (11 619) | |
| 1% decrease in the interest rate environment | 12 870 | (20 693) | (7 823) | (32.7%) |
| 10% decrease in maintenance expenses | 9 958 | (15 057) | (5 099) | (56.1%) |
| 10% decrease in new business acquisition expenses | 20 856 | (18 775) | 2 081 | (117.9%) |
| 10% decrease in lapse rates | 20 909 | (15 160) | 5 749 | (149.5%) |
| 5% decrease in morbidity and mortality rates | 9 850 | (15 425) | (5 575) | (52.0%) |

1 Net of CNHR.

*__Embedded value results__ continued*

## Economic assumptions

| | **December 2023** | December 2022 | June 2022 |
|---|---|---|---|
| Securities backing non-bonus liabilities | **12.1%** | 11.0% | 12.3% |
| Securities backing bonus liabilities | **8.9%** | 9.3% | 9.7% |
| Inflation rate | **7.0%** | 6.6% | 7.1% |

# OUTsurance Group Limited interim financial statements for the six months ended 31 December 2023

The reports and statements set out alongside comprise the consolidated interim financial statements presented to the shareholders:

# Consolidated statement of profit or loss

| R million | Notes | Six months ended 31 December 2023 | 2022 Restated | % change | Year ended 30 June 2023 Restated |
|---|---|---|---|---|---|
| Insurance revenue[1] | | **15 328** | 12 865 | 19.1% | 26 833 |
| Insurance service expenses[1] | | **(12 388)** | (9 485) | 30.6% | (19 714) |
| Net expenses from reinsurance contracts held[1] | | **(605)** | (919) | (34.2%) | (1 989) |
| Insurance service result | | **2 335** | 2 461 | (5.1%) | 5 130 |
| Non-insurance related income[1] | 7 | **244** | 197 | 23.9% | 450 |
| Net investment income | | **805** | 561 | 43.5% | 1 198 |
| Investment income | | **110** | 97 | 13.4% | 208 |
| Interest income on financial assets using the effective interest method | | **659** | 357 | 84.6% | 911 |
| Net gain from fair value adjustments on financial assets | | **29** | 104 | (72.1%) | 80 |
| Expected credit losses reversed/(expensed) on financial assets | | **7** | 3 | >100% | (1) |
| Net insurance finance expenses[1] | | **(139)** | (139) | – | (94) |
| Finance expenses from insurance contracts issued[1] | | **(205)** | (172) | 19.2% | (103) |
| Finance income from reinsurance contracts held[1] | | **66** | 33 | 100.0% | 9 |
| Fair value adjustment to financial liabilities | | **(74)** | (91) | (18.7%) | (196) |
| **Net insurance and investment result** | | **3 171** | 2 989 | 6.1% | 6 488 |
| Marketing and administration expenses[1] | | **(928)** | (645) | 43.9% | (1 633) |
| Finance costs | | **(17)** | (8) | >100% | (40) |
| Equity accounted earnings/(losses) | | **33** | (1) | >100% | 20 |
| Profit on change of shareholding in investment in associates | | **471** | – | >100% | 7 |
| Profit on sale of associates | | **82** | 57 | 43.9% | 57 |
| Impairment of investment in associates | | **–** | – | – | (23) |
| **Profit before taxation** | | **2 812** | 2 392 | 17.6% | 4 876 |
| Taxation[1] | | **(738)** | (718) | 2.8% | (1 459) |
| **PROFIT FOR THE PERIOD** | | **2 074** | 1 674 | 23.9% | 3 417 |
| **Profit attributable to:** | | | | | |
| Ordinary shareholders | | **1 891** | 1 453 | 30.1% | 2 980 |
| Non-controlling interests | | **183** | 221 | (17.2%) | 437 |
| **PROFIT FOR THE PERIOD** | | **2 074** | 1 674 | 23.9% | 3 417 |
| Earnings per share (cents) | | **123.6** | 94.8 | 30.4% | 194.5 |
| Diluted earnings per share (cents) | | **122.0** | 93.9 | 29.9% | 190.8 |

1 *The prior periods have been restated due to the adoption of IFRS 17.*

# Computation of headline earnings

| R million | Six months ended 31 December 2023 | 2022 Restated[1] | % change | Year ended 30 June 2023 Restated[1] |
|---|---|---|---|---|
| Earnings attributable to ordinary shareholders | **1 891** | 1 453 | 30.1% | 2 980 |
| Adjustment for: | | | | |
| Profit on dilution of associates | **(471)** | – | | (1) |
| Profit on disposal of associates | **(78)** | (47) | | (47) |
| Realised foreign exchange gain on sale of investment in associates | **(5)** | – | | – |
| Loss/(profit) on disposal of property and equipment | **1** | – | | (4) |
| Profit on distribution of associates | **–** | (1) | | – |
| Impairments of investments in associates | **–** | – | | 17 |
| Loss on write-down of intangible asset | **–** | – | | 13 |
| Tax effect of headline earnings adjustments | **63** | 9 | | 5 |
| **HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS** | **1 401** | 1 414 | (0.9%) | 2 963 |

1 *The prior periods have been restated due to the adoption of IFRS 17.*

# Computation of normalised earnings

| R million | Six months ended 31 December 2023 | 2022 Restated[1] | % change | Year ended 30 June 2023 Restated[1] |
|---|---|---|---|---|
| Headline earnings attributable to ordinary shareholders | **1 401** | 1 414 | (0.9%) | 2 963 |
| Adjustment for: | | | | |
| Losses/(gains) on derivative financial instruments relating to capital investments | **10** | – | | (3) |
| Group treasury shares | **(2)** | (12) | | (25) |
| Amortisation of intangible assets relating to business combinations | **2** | 2 | | 4 |
| **NORMALISED EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS** | **1 411** | 1 404 | 0.5% | 2 939 |

1 *The prior periods have been restated due to the adoption of IFRS 17.*

# Computation of earnings and dividend per share

| R million | Six months ended 31 December 2023 | 2022 Restated[1] | % change | Year ended 30 June 2023 Restated[1] |
|---|---|---|---|---|
| Earnings attributable to ordinary shareholders | **1 891** | 1 453 | 30.1% | 2 980 |
| Headline earnings attributable to ordinary shareholders | **1 401** | 1 414 | (0.9%) | 2 963 |
| Number of shares in issue (millions) | **1 533** | 1 532 | – | 1 532 |
| Weighted average number of shares in issue (millions) | **1 530** | 1 532 | (0.1%) | 1 532 |
| Dilutory impact on earnings | **(24)** | (14) | 71.4% | (57) |
| Dilutory impact on headline earnings | **(23)** | (14) | 64.3% | (42) |
| Earnings per share (cents) | **123.6** | 94.8 | 30.4% | 194.5 |
| Diluted earnings per share (cents) | **122.0** | 93.9 | 29.9% | 190.8 |
| Headline earnings per share (cents) | **91.6** | 92.3 | (0.8%) | 193.4 |
| Diluted headline earnings per share (cents) | **90.0** | 91.4 | (1.5%) | 190.7 |
| **Dividend per share** | | | | |
| Interim dividend (cents) | **61.2** | 56.8 | 7.7% | 56.8 |
| Final dividend (cents) | **–** | – | – | 78.0 |
| Special dividend (cents) | **–** | – | – | 8.5 |
| TOTAL DIVIDEND PER SHARE (CENTS) | **61.2** | 56.8 | 7.7% | 143.3 |

1 *The prior periods have been restated due to the adoption of IFRS 17.*

# Computation of normalised earnings per share

| R million | Six months ended 31 December 2023 | 2022 Restated[1] | % change | Year ended 30 June 2023 Restated[1] |
|---|---|---|---|---|
| **Normalised earnings attributable to ordinary shareholders** | **1 411** | 1 404 | 0.5% | 2 939 |
| Number of shares in issue (millions) | **1 533** | 1 532 | – | 1 532 |
| Weighted average number of shares in issue (millions) | **1 533** | 1 532 | – | 1 532 |
| Dilutory impact on normalised earnings | **(23)** | (14) | 64.3% | (40) |
| Normalised earnings per share (cents) | **92.1** | 91.6 | 0.5% | 191.9 |
| Diluted normalised earnings per share (cents) | **90.6** | 90.7 | (0.1%) | 189.3 |

1 *The prior periods have been restated due to the adoption of IFRS 17.*

# Consolidated statement of comprehensive income

| R million | Six months ended 31 December 2023 | Six months ended 31 December 2022 Restated[1] | % change | Year ended 30 June 2023 Restated[1] |
|---|---|---|---|---|
| **Profit for the period** | **2 074** | 1 674 | 23.9% | 3 417 |
| **Other comprehensive (loss)/income for the period** | | | | |
| Items that may subsequently be reclassified to profit or loss | | | | |
| Exchange differences on translation of foreign operations[1] | **(95)** | 140 | >(100%) | 600 |
| Fair value (losses)/gains on other comprehensive income financial instruments | **(30)** | 3 | >(100%) | 47 |
| Deferred tax on fair value gains or losses on other comprehensive income financial instruments | **1** | (1) | >100% | (4) |
| Share of comprehensive income of associates | **(26)** | 3 | >(100%) | (3) |
| Items that may subsequently be reclassified to profit or loss, after taxation | **–** | 3 | (100%) | (3) |
| Reclassification of accumulated other comprehensive income of associate diluted to fair value asset | **(26)** | – | (100%) | – |
| **OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD** | **(150)** | **145** | **>(100%)** | **640** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **1 924** | **1 819** | **5.8%** | **4 057** |
| **Total comprehensive income attributable to:** | | | | |
| Ordinary shareholders | **1 759** | 1 573 | 11.8% | 3 518 |
| Non-controlling interests | **165** | 246 | (32.9%) | 539 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **1 924** | 1 819 | 5.8% | 4 057 |

1 *The prior periods have been restated due to the adoption of IFRS 17.*

# Consolidated statement of financial position

| R million | Notes | 31 December 2023 | 30 June 2023 Restated[1] | 1 July 2022 Restated[1] |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Property and equipment | | **1 173** | 1 198 | 1 065 |
| Intangible assets | | **249** | 237 | 236 |
| Right-of-use assets | | **154** | 65 | 70 |
| Investments in associates | | **714** | 788 | 692 |
| Deferred income tax[1] | 8 | **448** | 502 | 406 |
| Reinsurance assets[1] | 8 | **1 761** | 1 087 | 2 195 |
| Insurance assets[1] | 6 | **229** | 216 | 145 |
| Financial assets | | | | |
| Fair value through profit or loss | 6 | **5 374** | 4 751 | 3 573 |
| Fair value through other comprehensive income | 6 | **7 485** | 6 427 | 5 700 |
| Measured at amortised cost | | **11 307** | 11 267 | 7 233 |
| Derivative financial instrument | 6 | **15** | 9 | 68 |
| Other receivables[1] | | **1 203** | 927 | 219 |
| Taxation | | **49** | 10 | 3 |
| Assets held for sale | | **390** | 402 | 503 |
| Cash and cash equivalents | | **1 860** | 1 675 | 2 508 |
| **TOTAL ASSETS** | | **32 411** | 29 561 | 24 616 |
| **EQUITY** | | | | |
| Share capital and premium | | **15 311** | 15 452 | 15 431 |
| Other equity reserves[1] | | **(4 176)** | (3 661) | (3 733) |
| Retained earnings[1] | | **2 065** | 1 567 | 106 |
| Total shareholders' equity | | **13 200** | 13 358 | 11 804 |
| Non-controlling interests[1] | | **1 351** | 1 568 | 1 498 |
| **TOTAL EQUITY** | | **14 551** | 14 926 | 13 302 |
| **LIABILITIES** | | | | |
| Reinsurance liabilities[1] | 8 | **5** | 36 | 1 |
| Insurance liabilities[1] | 8 | **12 252** | 10 191 | 9 006 |
| Derivative financial instrument | 6 | **143** | 81 | 6 |
| Investment contract liability | 6 | **1 701** | 1 231 | 64 |
| Lease liabilities | | **170** | 80 | 82 |
| Share-based payment liability | | **644** | 635 | 297 |
| Employee benefits | | **438** | 581 | 630 |
| Deferred income tax[1] | | **202** | 153 | 146 |
| Financial liabilities at fair value through profit or loss | | **74** | 112 | 72 |
| Taxation | | **36** | 362 | 163 |
| Financial liabilities at amortised cost | 6 | **1 063** | – | – |
| Other payables[1] | | **1 062** | 1 102 | 798 |
| Liabilities directly associated with assets held for sale | | **70** | 71 | 49 |
| **TOTAL LIABILITIES** | | **17 860** | 14 635 | 11 314 |
| **TOTAL EQUITY AND LIABILITIES** | | **32 411** | 29 561 | 24 616 |

*1 The prior years have been restated due to the adoption of IFRS 17.*

# Consolidated statement of changes in equity

| R million | Share capital and premium | Equity accounted reserves | Share-based payments reserve | Other reserves | Transactions with non-controlling interests | Foreign currency translation reserve | Retained earnings | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Previously stated balance as at 1 July 2022** | 15 431 | 28 | 14 | (139) | (4 180) | 545 | (212) | 1 465 | 12 952 |
| Adjustment on the initial application of IFRS 17 | – | – | – | – | – | (1) | 318 | 33 | 350 |
| **Restated balance as at 1 July 2022** | 15 431 | 28 | 14 | (139) | (4 180) | 544 | 106 | 1 498 | 13 302 |
| Profit for the year | – | – | – | – | – | – | 2 980 | 437 | 3 417 |
| Other comprehensive income for the year | – | (3) | – | 40 | – | 501 | – | 102 | 640 |
| Additional shares issued | 21 | – | – | – | – | – | – | – | 21 |
| Transactions with non-controlling interest | – | – | – | – | (473) | – | 4 | (228) | (697) |
| Share-based payment reserve | – | 9 | (2) | – | – | – | (10) | – | (3) |
| Dividends paid | – | – | – | – | – | – | (1 513) | (241) | (1 754) |
| **RESTATED BALANCE AS AT 30 JUNE 2023** | **15 452** | **34** | **12** | **(99)** | **(4 653)** | **1 045** | **1 567** | **1 568** | **14 926** |
| Profit for the period | **–** | **–** | **–** | **–** | **–** | **–** | **1 891** | **183** | **2 074** |
| Other comprehensive income for the period | **–** | **(26)** | **–** | **(29)** | **–** | **(77)** | **–** | **(18)** | **(150)** |
| Additional shares issued | **40** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **40** |
| Treasury shares acquired | **(181)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(181)** |
| Transactions with non-controlling interest | **–** | **–** | **–** | **–** | **(383)** | **–** | **8** | **(193)** | **(568)** |
| Share-based payment reserve | **–** | **(7)** | **7** | **–** | **–** | **–** | **(79)** | **(9)** | **(88)** |
| Dividends paid | **–** | **–** | **–** | **–** | **–** | **–** | **(1 322)** | **(180)** | **(1 502)** |
| **BALANCE AS AT 31 DECEMBER 2023** | **15 311** | **1** | **19** | **(128)** | **(5 036)** | **968** | **2 065** | **1 351** | **14 551** |
| **Previously stated balance as at 1 July 2022** | 15 431 | 28 | 14 | (139) | (4 180) | 545 | (212) | 1 465 | 12 952 |
| Adjustment on the initial application of IFRS 17 | – | – | – | – | – | (1) | 318 | 33 | 350 |
| **Restated balance as at 1 July 2022** | 15 431 | 28 | 14 | (139) | (4 180) | 544 | 106 | 1 498 | 13 302 |
| Profit for the period | – | – | – | – | – | – | 1 453 | 221 | 1 674 |
| Other comprehensive income for the period | – | 3 | – | 2 | – | 115 | – | 25 | 145 |
| Movement in treasury shares | – | – | – | – | – | – | – | (23) | (23) |
| Transactions with non-controlling interest | – | – | – | – | (112) | – | 1 | 3 | (108) |
| Share-based payment reserve | – | – | (2) | – | – | – | (14) | (2) | (18) |
| Dividends paid | – | – | – | – | – | – | (643) | (98) | (741) |
| **RESTATED BALANCE AS AT 31 DECEMBER 2022** | 15 431 | 31 | 12 | (137) | (4 292) | 659 | 903 | 1 624 | 14 231 |

# Consolidated statement of cash flows

| R million | Six months ended 31 December 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from operations | **2 099** | 1 822 |
| Interest income | **293** | 81 |
| Dividends received | **81** | 32 |
| Cashflows on assets backing policyholder liabilities | **(30)** | (128) |
| Purchase of financial assets | **(9 037)** | (8 798) |
| Proceeds on disposal of financial assets | **8 734** | 7 397 |
| Income tax paid | **(924)** | (680) |
| NET CASH GENERATED FROM/(UTILISED IN) OPERATING ACTIVITIES | **1 216** | (274) |
| **Cash flows from investing activities** | | |
| Purchase of property and equipment | **(61)** | (50) |
| Disposal of property and equipment | **21** | 1 |
| Purchase of financial assets | **(185)** | (106) |
| Proceeds on disposal of financial assets | **288** | 347 |
| Acquisition of associates | **(104)** | – |
| Proceeds on disposal of associates | **172** | 62 |
| NET CASH INFLOW FROM INVESTING ACTIVITIES | **131** | 254 |
| **Cash flows from financing activities** | | |
| Purchase of shares from non-controlling interest | **(512)** | (36) |
| Treasury shares acquired | **(181)** | – |
| Borrowing raised | **1 175** | – |
| Borrowings repaid | **(112)** | – |
| Repayment of lease liability | **(23)** | (25) |
| Dividends paid by subsidiaries to non-controlling interests | **(180)** | (98) |
| Cash dividends paid to shareholders | **(1 323)** | (643) |
| NET CASH OUTFLOW FROM FINANCING ACTIVITIES | **(1 156)** | (802) |
| **Net increase/(decrease) in cash and cash equivalents for the period** | **191** | (822) |
| Unrealised foreign currency translation adjustment on cash and cash equivalents | **(6)** | 49 |
| Cash and cash equivalents at the beginning of the period | **1 675** | 2 508 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | **1 860** | 1 735 |

# Segment information

The Group changed their reporting segments on the adoption of IFRS 17 to ensure that the information reported to the chief operating decision-maker (CODM) is reflected in the segment report.

Due to the growth experienced in Youi, Youi was disaggregated into personal (providing personal and casualty insurance products to individuals), business (providing personal and casualty insurance products to small and medium sized businesses) and CTP (providing compulsory third-party vehicle insurance to individuals in Australia). This presentation better reflects the way the CODM reviews the results. The prior periods were restated accordingly.

| | Property and Casualty insurance | | | | | | | | | | | Long-term insurance | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | OUTsurance | | | | Youi Group | | | | | | | | | | | | |
| R million | Personal[1] | Business | Central | Total | Personal | Business | CTP | Central | Total | OUTsurance Ireland | P&C Total | OUTsurance Life | Administration services | Central and consolidation adjustments | OHL Group Total | Treasury Company and consolidation adjustments | Group Total |
| **Segment income statement information Six months ended 31 December 2023** | | | | | | | | | | | | | | | | | |
| Insurance revenue | 4 653 | 1 346 | – | 5 999 | 8 095 | 379 | 415 | – | 8 889 | – | 14 888 | 440 | – | – | 15 328 | – | 15 328 |
| Insurance service expenses | (3 141) | (1 133) | – | (4 274) | (6 976) | (353) | (429) | – | (7 758) | – | (12 032) | (356) | – | – | (12 388) | – | (12 388) |
| Net expenses from reinsurance contracts held | (70) | (11) | – | (81) | (522) | (18) | 5 | – | (535) | – | (616) | 11 | – | – | (605) | – | (605) |
| **Insurance service result** | 1 442 | 202 | – | 1 644 | 597 | 8 | (9) | – | 596 | – | 2 240 | 95 | – | – | 2 335 | – | 2 335 |
| Non-insurance related fee income | – | – | – | – | 15 | – | – | – | 15 | – | 15 | 11 | 310 | (95) | 241 | 3 | 244 |
| Fair value adjustment to financial liabilities | (67) | – | – | (67) | – | – | – | – | – | – | (67) | (7) | – | – | (74) | – | (74) |
| Marketing and administration expenses | (83) | (26) | (391) | (500) | (120) | (3) | (6) | – | (129) | (64) | (693) | (68) | (286) | 159 | (888) | (40) | (928) |
| **Underwriting result** | 1 292 | 176 | (391) | 1 077 | 492 | 5 | (15) | – | 482 | (64) | 1 495 | 31 | 24 | 64 | 1 614 | (37) | 1 577 |
| Investment income on insurance contract assets and liabilities | 66 | 18 | – | 84 | 138 | 7 | 20 | – | 165 | – | 249 | 64 | – | – | 313 | – | 313 |
| Finance expenses from insurance contracts issued | (54) | (20) | – | (74) | (22) | (1) | (34) | – | (57) | – | (131) | (74) | – | – | (205) | – | (205) |
| Finance income from reinsurance contracts held | – | 1 | – | 1 | 2 | – | 27 | – | 29 | – | 30 | 36 | – | – | 66 | – | 66 |
| **Operating profit/(loss)** | 1 304 | 175 | (391) | 1 088 | 610 | 11 | (2) | – | 619 | (64) | 1 643 | 57 | 24 | 64 | 1 788 | (37) | 1 751 |
| Equity accounted earnings | | | | – | | | | | 50 | – | 50 | – | – | – | 50 | (17) | 33 |
| Profit on change in shareholding of investment in associates | | | | – | | | | | – | – | – | – | – | (5) | (5) | 476 | 471 |
| Profit on sale of subsidiary/associate | | | | – | | | | | – | – | – | – | – | 44 | 44 | 38 | 82 |
| **Operating profit/(loss) including associate earnings** | | | | 1 088 | | | | | 669 | (64) | 1 693 | 57 | 24 | 103 | 1 877 | 460 | 2 337 |
| Net investment income on shareholder investment capital | | | | 222 | | | | | 152 | 6 | 380 | 23 | 2 | 28 | 433 | 59 | 492 |
| Finance costs | | | | (26) | | | | | (13) | (1) | (40) | – | (5) | 28 | (17) | – | (17) |
| **Profit/(loss) before tax** | | | | 1 284 | | | | | 808 | (59) | 2 033 | 80 | 21 | 159 | 2 293 | 519 | 2 812 |
| **Normalised earnings** | | | | 923 | | | | | 556 | (59) | 1 420 | 70 | 20 | 36 | 1 546 | (135) | 1 411 |

1 *Includes the Homeowners cover book sourced from FirstRand Bank Limited.*

# Segment information *continued*

## Segmental ratio calculation and reconciliation

**Segmental ratio calculation**
**Six months ended 31 December 2023**

| R million | Property and Casualty insurance – OUTsurance Personal | Business | Central | Total | Youi Group Personal | Business | CTP | Central | Total | OUTsurance Ireland | P&C Total | Long-term insurance – OUTsurance Life | Administration services | Central and consolidation adjustments | OHL Group Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross written premium | 4 695 | 1 356 | – | **6 051** | 9 170 | 531 | 358 | – | **10 059** | | **16 110** | | | | |
| Movements in unearned premium | (42) | (10) | – | **(52)** | (1 075) | (152) | 57 | – | **(1 170)** | | **(1 222)** | | | | |
| **Gross earned premium = insurance revenue** | 4 653 | 1 346 | – | **5 999** | 8 095 | 379 | 415 | – | **8 889** | | **14 888** | | | | **15 328** |
| Reinsurance premium expense | (72) | (31) | – | **(103)** | (775) | (22) | (227) | – | **(1 024)** | | **(1 127)** | | | | **(1 192)** |
| **1. Net earned premium** | **4 581** | **1 315** | **–** | **5 896** | **7 320** | **357** | **188** | **–** | **7 865** | | **13 761** | | | | **14 136** |
| Change in loss component | – | 1 | – | **1** | – | – | 6 | – | **6** | | **7** | | | | |
| Gross claims expense | (2 280) | (734) | – | **(3 014)** | (4 906) | (236) | (389) | – | **(5 531)** | | **(8 545)** | | | | |
| **Gross claims expenses (including OUTbonus)** | (2 280) | (733) | – | **(3 013)** | (4 906) | (236) | (383) | – | **(5 525)** | | **(8 538)** | | | | |
| Finance expenses from insurance contracts issued | (54) | (20) | – | **(74)** | (22) | (1) | (34) | – | **(57)** | | **(131)** | | | | |
| **Gross claims expenses including net IFE[1]** | **(2 334)** | **(753)** | **–** | **(3 087)** | **(4 928)** | **(237)** | **(417)** | **–** | **(5 582)** | | **(8 669)** | | | | |
| Reinsurance recoveries | 2 | 20 | – | **22** | 253 | 4 | 232 | – | **489** | | **511** | | | | |
| Finance income from reinsurance contracts held | – | 1 | – | **1** | 2 | – | 27 | – | **29** | | **30** | | | | |
| **2. Net claims expense including net IFE[1]** | **(2 332)** | **(732)** | **–** | **(3 064)** | **(4 673)** | **(233)** | **(158)** | **–** | **(5 064)** | | **(8 128)** | | | | |
| **3. Operating expenses** | (944) | (426) | (391) | **(1 761)** | (2 190) | (120) | (52) | – | **(2 362)** | (64) | **(4 187)** | (68) | (286) | 159 | **(4 382)** |
| Attributable expenses (included in Insurance Service Expense) | (861) | (400) | – | **(1 261)** | (2 070) | (117) | (46) | – | **(2 233)** | | **(3 494)** | – | – | – | **(3 494)** |
| Non-attributable expenses (included in Marketing and Administration expenses | (83) | (26) | (391) | **(500)** | (120) | (3) | (6) | – | **(129)** | (64) | **(693)** | (68) | (286) | 159 | **(888)** |
| 4. Non-insurance fee income | – | – | – | **–** | 15 | – | – | – | **15** | | **15** | 11 | 310 | (95) | **241** |
| 5. Fair value to financial liabilities | (67) | – | – | **(67)** | – | – | – | – | **–** | | **(67)** | | | | |
| **6. Underwriting result** | 1 238 | 157 | (391) | **1 004** | 472 | 4 | (22) | – | **454** | (64) | **1 394** | | | | |
| Investment income on insurance contract assets and liabilities | 66 | 18 | – | **84** | 138 | 7 | 20 | – | **165** | | **249** | | | | |
| **Operating profit/(loss)** | 1 304 | 175 | (391) | **1 088** | 610 | 11 | (2) | – | **619** | (64) | **1 643** | | | | |
| **Ratio calculations (as disclosed in management commentary)** | | | | | | | | | | | | | | | |
| Net claims ratio (2/1) | 50.9% | 55.7% | | **52.0%** | 63.8% | 65.3% | 84.0% | | **64.4%** | | **59.1%** | | | | |
| Cost-to-income ratio (3/1) | 20.6% | 32.4% | | **29.9%** | 29.9% | 33.6% | 27.7% | | **30.0%** | | **30.4%** | | | | |
| Group cost-to-income ratio (3/(2+4)) | | | | | | | | | | | | | | | **30.5%** |
| Underwriting margin (6/1) | 27.0% | 11.9% | | **17.0%** | 6.4% | 1.1% | (11.7%) | | **5.8%** | | **10.1%** | | | | |
| Combined ratio ((2+3+5)/1) | 73.0% | 88.1% | | **83.0%** | 93.8% | 98.9% | 111.7% | | **94.4%** | | **90.0%** | | | | |
| **Reconciliation of insurance service expense** | | | | | | | | | | | | | | | |
| Gross claims (including OUTbonus) | (2 280) | (734) | – | **(3 014)** | (4 906) | (236) | (389) | – | **(5 531)** | – | **(8 545)** | | | | |
| Change in loss component | – | 1 | – | **1** | – | – | 6 | – | **6** | – | **7** | | | | |
| Attributable expenses | (861) | (400) | – | **(1 261)** | (2 070) | (117) | (46) | – | **(2 233)** | – | **(3 494)** | | | | |
| Insurance service expense as disclosed | (3 141) | (1 133) | – | **(4 274)** | (6 976) | (353) | (429) | – | **(7 758)** | – | **(12 032)** | | | | |

1 *Includes net insurance finance expense (IFE) as disclosed in the statement of profit or loss.*

# Segment information *continued*

| R million | Property and Casualty insurance: OUTsurance Personal[1] | OUTsurance Business | OUTsurance Central | OUTsurance Total | Youi Group Personal | Youi Group Business | Youi Group CTP | Youi Group Central | Youi Group Total | OUTsurance Ireland | P&C Total | Long-term insurance: OUTsurance Life | Administration services | Central and consolidation adjustments | OHL Group Total | Treasury Company and consolidation adjustments | Group Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Segment income statement information Twelve months ended 30 June 2023 Restated** | | | | | | | | | | | | | | | | | |
| Insurance revenue | 8 705 | 2 432 | – | 11 137 | 13 696 | 388 | 756 | – | 14 840 | – | 25 977 | 856 | – | – | 26 833 | – | 26 833 |
| Insurance service expenses | (6 007) | (2 077) | - | (8 084) | (9 808) | (286) | (808) | – | (10 902) | – | (18 986) | (728) | – | – | (19 714) | – | (19 714) |
| Net expenses from reinsurance contracts held | (98) | (54) | - | (152) | (1 812) | (38) | (22) | – | (1 872) | – | (2 024) | 35 | – | – | (1 989) | – | (1 989) |
| **Insurance service result** | 2 600 | 301 | – | 2 901 | 2 076 | 64 | (74) | – | 2 066 | – | 4 967 | 163 | – | – | 5 130 | – | 5 130 |
| Non-insurance related fee income | – | – | – | – | 39 | – | – | – | 39 | – | 39 | 7 | 501 | (110) | 437 | 13 | 450 |
| Fair value adjustment to financial liabilities | (180) | – | – | (180) | – | – | – | – | – | – | (180) | (16) | – | – | (196) | – | (196) |
| Marketing and administration expenses | (177) | (51) | (251) | (479) | (427) | (10) | (18) | – | (455) | (56) | (990) | (84) | (558) | 103 | (1 529) | (104) | (1 633) |
| **Underwriting result** | 2 243 | 250 | (251) | 2 242 | 1 688 | 54 | (92) | – | 1 650 | (56) | 3 836 | 70 | (57) | (7) | 3 842 | (91) | 3 751 |
| Investment income on insurance contract assets and liabilities | 99 | 27 | – | 126 | 193 | 7 | 26 | – | 226 | – | 352 | 67 | – | – | 419 | – | 419 |
| Finance expenses from insurance contracts issued | (68) | (18) | – | (86) | (22) | – | (15) | – | (37) | – | (123) | 20 | – | – | (103) | – | (103) |
| Finance income from reinsurance contracts held | 2 | 1 | – | 3 | 11 | – | 7 | – | 18 | – | 21 | (12) | – | – | 9 | – | 9 |
| **Operating profit/(loss)** | 2 276 | 260 | (251) | 2 285 | 1 870 | 61 | (74) | – | 1 857 | (56) | 4 086 | 145 | (57) | (7) | 4 167 | (91) | 4 076 |
| Equity accounted earnings | | | | – | | | | | 37 | – | 37 | – | – | (3) | 34 | (14) | 20 |
| Profit on change in shareholding of investment in associates | | | | – | | | | | – | – | – | – | – | 7 | 7 | – | 7 |
| Profit on sale of subsidiary/associate | | | | – | | | | | – | – | – | – | – | 45 | 45 | 12 | 57 |
| Reversal of impairment/(impairment) of investment in associate | | | | – | | | | | – | – | – | – | – | 13 | 13 | (36) | (23) |
| **Operating profit/(loss) including associate earnings** | | | | 2 285 | | | | | 1 894 | (56) | 4 123 | 145 | (57) | 55 | 4 266 | (129) | 4 137 |
| Net investment income on shareholder investment capital | | | | 372 | | | | | 139 | – | 511 | 53 | 3 | 105 | 672 | 107 | 779 |
| Finance costs | | | | (34) | | | | | (28) | – | (62) | – | – | 46 | (16) | (24) | (40) |
| **Profit/(loss) before tax** | | | | 2 623 | | | | | 2 005 | (56) | 4 572 | 198 | (54) | 206 | 4 922 | (46) | 4 876 |
| **Normalised earnings** | | | | 1 884 | | | | | 1 396 | (56) | 3 224 | 142 | (35) | (21) | 3 310 | (371) | 2 939 |

1 *Includes the Homeowners cover book sourced from FirstRand Bank Limited.*

## Segment information *continued*

# Segmental ratio calculation and reconciliation

**Segmental ratio calculation**
**Twelve months ended 30 June 2023**

| | Property and Casualty insurance | | | | | | | | | | | Long-term insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | OUTsurance | | | | Youi Group | | | | | | | | | | |
| R million | Personal | Business | Central | Total | Personal | Business | CTP | Central | Total | OUTsurance Ireland | P&C Total | OUTsurance Life | Admini-stration services | Central and consolidation adjustments | OHL Group Total |
| Gross written premium | 8 722 | 2 438 | – | **11 160** | 14 956 | 606 | 837 | – | **16 399** | | **27 559** | | | | |
| Movements in unearned premium | (17) | (6) | – | **(23)** | (1 260) | (218) | (81) | – | **(1 559)** | | **(1 582)** | | | | |
| **Gross earned premium = insurance revenue** | 8 705 | 2 432 | – | **11 137** | 13 696 | 388 | 756 | – | **14 840** | | **25 977** | | | | **26 833** |
| Reinsurance premium expense | (147) | (52) | – | **(199)** | (1 459) | (72) | (521) | – | **(2 052)** | | **(2 251)** | | | | **(2 398)** |
| **1. Net earned premium** | **8 558** | **2 380** | **–** | **10 938** | **12 237** | **316** | **235** | **–** | **12 788** | | **23 726** | | | | **24 435** |
| Change in loss component | – | 6 | – | **6** | – | – | – | – | **–** | | **6** | | | | |
| Gross claims expense | (4 401) | (1 306) | – | **(5 707)** | (6 374) | (175) | (756) | – | **(7 305)** | | **(13 012)** | | | | |
| **Gross claims expenses (including OUTbonus)** | (4 401) | (1 300) | – | **(5 701)** | (6 374) | (175) | (756) | – | **(7 305)** | | **(13 006)** | | | | |
| Finance expenses from insurance contracts issued | (68) | (18) | – | **(86)** | (22) | – | (15) | – | **(37)** | | **(123)** | | | | |
| **Gross claims expenses including net IFE[1]** | **(4 469)** | **(1 318)** | **–** | **(5 787)** | **(6 396)** | **(175)** | **(771)** | **–** | **(7 342)** | | **(13 129)** | | | | |
| Reinsurance recoveries | 49 | (2) | – | **47** | (353) | 34 | 499 | – | **180** | | **227** | | | | |
| Finance income from reinsurance contracts held | 2 | 1 | – | **3** | 11 | – | 7 | – | **18** | | **21** | | | | |
| **2. Net claims expense including net IFE[1]** | **(4 418)** | **(1 319)** | **–** | **(5 737)** | **(6 738)** | **(141)** | **(265)** | **–** | **(7 144)** | | **(12 881)** | | | | |
| **3. Operating expenses** | (1 783) | (828) | (251) | **(2 862)** | (3 861) | (121) | (70) | – | **(4 052)** | (56) | **(6 970)** | (84) | (558) | 103 | **(7 509)** |
| Attributable expenses (included in Insurance Service Expense) | (1 606) | (777) | – | **(2 383)** | (3 434) | (111) | (52) | – | **(3 597)** | – | **(5 980)** | – | – | – | **(5 980)** |
| Non-attributable expenses (included in Marketing and Administration expenses | (177) | (51) | (251) | **(479)** | (427) | (10) | (18) | – | **(455)** | (56) | **(990)** | (84) | (558) | 103 | **(1 529)** |
| 4. Non-insurance fee income | – | – | – | **–** | 39 | – | – | – | **39** | | **39** | 7 | 501 | (110) | **437** |
| 5. Fair value to financial liabilities | (180) | – | – | **(180)** | – | – | – | – | **–** | | **(180)** | | | | |
| **6. Underwriting result** | 2 177 | 233 | (251) | **2 159** | 1 677 | 54 | (100) | – | **1 631** | (56) | **3 734** | | | | |
| Investment income on insurance contract assets and liabilities | 99 | 27 | – | **126** | 193 | 7 | 26 | – | **226** | | **352** | | | | |
| **Operating profit/(loss)** | 2 276 | 260 | (251) | **2 285** | 1 870 | 61 | (74) | – | **1 857** | (56) | **4 086** | | | | |
| **Ratio calculations (as disclosed in management commentary)** | | | | | | | | | | | | | | | |
| Net claims ratio (2/1) | 51.6% | 55.4% | | **52.5%** | 55.1% | 44.6% | 112.8% | | **55.9%** | | **54.3%** | | | | |
| Cost-to-income ratio (3/1) | 20.8% | 34.8% | | **26.2%** | 31.6% | 38.3% | 29.8% | | **31.7%** | | **29.4%** | | | | |
| Group cost-to-income ratio (3/(2+4)) | | | | | | | | | | | | | | | **30.2%** |
| Underwriting margin (6/1) | 25.4% | 9.8% | | **19.7%** | 13.7% | 17.1% | (42.6%) | | **12.8%** | | **15.7%** | | | | |
| Combined ratio ((2+3+5)/1) | 74.6% | 90.2% | | **80.3%** | 86.6% | 82.9% | 142.6% | | **87.6%** | | **84.4%** | | | | |
| **Reconciliation of insurance service expense** | | | | | | | | | | | | | | | |
| Gross claims (including OUTbonus) | (4 401) | (1 306) | – | **(5 707)** | (6 374) | (175) | (756) | – | **(7 305)** | – | **(13 012)** | | | | |
| Change in loss component | – | 6 | – | **6** | – | – | – | – | **–** | – | **6** | | | | |
| Attributable expenses | (1 606) | (777) | – | **(2 383)** | (3 434) | (111) | (52) | – | **(3 597)** | – | **(5 980)** | | | | |
| Insurance service expense as disclosed | (6 007) | (2 077) | – | **(8 084)** | (9 808) | (286) | (808) | – | **(10 902)** | – | **(18 986)** | | | | |

1 *Includes net insurance finance expense (IFE) as disclosed in the statement of profit or loss.*

# Segment information *continued*

| R million | Property and Casualty insurance | | | | | | | | | | Long-term insurance | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | OUTsurance | | | | Youi Group | | | | | | | | | | | |
| | Personal[1] | Business | Central | Total | Personal | Business | CTP | Total | OUTsurance Ireland | P&C Total | OUTsurance Life | Administration services | Central and consolidation adjustments | OHL Group Total | Treasury Company and consolidation adjustments | Group Total |
| **Segment income statement information Six months ended 31 December 2022 Restated** | | | | | | | | | | | | | | | | |
| Insurance revenue | 4 279 | 1 180 | – | 5 459 | 6 489 | 156 | 333 | 6 978 | – | 12 437 | 428 | – | – | 12 865 | – | 12 865 |
| Insurance service expenses | (2 989) | (1 019) | – | (4 008) | (4 499) | (131) | (518) | (5 148) | – | (9 156) | (329) | – | – | (9 485) | – | (9 485) |
| Net expenses from reinsurance contracts held | (32) | (22) | – | (54) | (978) | (13) | 130 | (861) | – | (915) | (4) | – | – | (919) | – | (919) |
| **Insurance service result** | 1 258 | 139 | – | 1 397 | 1 012 | 12 | (55) | 969 | – | 2 366 | 95 | – | – | 2 461 | – | 2 461 |
| Non-insurance related fee income | – | – | – | – | 16 | – | – | 16 | – | 16 | (3) | 204 | (30) | 187 | 10 | 197 |
| Fair value adjustment to financial liabilities | (85) | – | – | (85) | – | – | – | – | – | (85) | (6) | – | – | (91) | – | (91) |
| Marketing and administration expenses | (82) | (22) | (96) | (200) | (151) | (3) | (8) | (162) | (2) | (364) | (31) | (223) | 37 | (581) | (64) | (645) |
| **Underwriting result** | 1 091 | 117 | (96) | 1 112 | 877 | 9 | (63) | 823 | (2) | 1 933 | 55 | (19) | 7 | 1 976 | (54) | 1 922 |
| Investment income on insurance contract assets and liabilities | 43 | 11 | – | 54 | 72 | 3 | 10 | 85 | – | 139 | 27 | – | – | 166 | – | 166 |
| Finance expenses from insurance contracts issued | (32) | (10) | – | (42) | (3) | 4 | (8) | (7) | – | (49) | (123) | – | – | (172) | – | (172) |
| Finance income from reinsurance contracts held | 2 | 1 | – | 3 | (1) | (1) | 6 | 4 | – | 7 | 26 | – | – | 33 | – | 33 |
| **Operating profit/(loss)** | 1 104 | 119 | (96) | 1 127 | 945 | 15 | (55) | 905 | (2) | 2 030 | (15) | (19) | 7 | 2 003 | (54) | 1 949 |
| Equity accounted earnings | | | | – | | | | 12 | – | 12 | – | – | 2 | 14 | (15) | (1) |
| Profit on sale of associates | | | | – | | | | – | – | – | – | – | 45 | 45 | 12 | 57 |
| **Operating profit/(loss) including associate earnings** | | | | 1 127 | | | | 917 | (2) | 2 042 | (15) | (19) | 54 | 2 062 | (57) | 2 005 |
| Net investment income on shareholder investment capital | | | | 212 | | | | 46 | – | 258 | 30 | 1 | 50 | 339 | 56 | 395 |
| Finance costs | | | | (16) | | | | (14) | – | (30) | – | – | 22 | (8) | – | (8) |
| **Profit/(loss) before tax** | | | | 1 323 | | | | 949 | (2) | 2 270 | 15 | (18) | 126 | 2 393 | (1) | 2 392 |
| **Normalised earnings** | | | | 955 | | | | 658 | (2) | 1 611 | 13 | (17) | (8) | 1 599 | (195) | 1 404 |

*1 Includes the Homeowners cover book sourced from FirstRand Bank Limited.*

## Segment information *continued*

# Segmental ratio calculation and reconciliation

**Segmental ratio calculation**
**Six months ended 31 December 2022**

| | Property and Casualty insurance | | | | | | | | | | Long-term insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | OUTsurance | | | | Youi Group | | | | | | | | | |
| R million | Personal | Business | Central | Total | Personal | Business | CTP | Total | OUTsurance Ireland | P&C Total | OUTsurance Life | Admini-stration services | Central and consolidation adjustments | OHL Group Total |
| Gross written premium | 4 311 | 1 194 | – | **5 505** | 7 039 | 219 | 390 | **7 648** | – | **13 153** | | | | |
| Movements in unearned premium | (32) | (14) | – | **(46)** | (550) | (63) | (57) | **(670)** | – | **(716)** | | | | |
| **Gross earned premium = insurance revenue** | 4 279 | 1 180 | – | **5 459** | 6 489 | 156 | 333 | **6 978** | – | **12 437** | | | | **12 865** |
| Reinsurance premium expense | (77) | (21) | – | **(98)** | (728) | (25) | (229) | **(982)** | – | **(1 080)** | | | | **(1 153)** |
| **1. Net earned premium** | **4 202** | **1 159** | **–** | **5 361** | **5 761** | **131** | **104** | **5 996** | – | **11 357** | | | | **11 712** |
| Change in loss component | (1) | (4) | – | **(5)** | – | – | – | **–** | – | **(5)** | | | | |
| Gross claims expense | (2 207) | (648) | – | **(2 855)** | (2 869) | (88) | (485) | **(3 442)** | – | **(6 297)** | | | | |
| **Gross claims expenses (including OUTbonus)** | (2 208) | (652) | – | **(2 860)** | (2 869) | (88) | (485) | **(3 442)** | – | **(6 302)** | | | | |
| Finance expenses from insurance contracts issued | (32) | (10) | – | **(42)** | (3) | 4 | (8) | **(7)** | – | **(49)** | | | | |
| **Gross claims expenses including net IFE[1]** | **(2 240)** | **(662)** | **–** | **(2 902)** | **(2 872)** | **(84)** | **(493)** | **(3 449)** | – | **(6 351)** | | | | |
| Reinsurance recoveries | 45 | (1) | – | **44** | (250) | 12 | 359 | **121** | – | **165** | | | | |
| Finance income from reinsurance contracts held | 2 | 1 | – | **3** | (1) | (1) | 6 | **4** | – | **7** | | | | |
| **2. Net claims expense including net IFE[1]** | **(2 193)** | **(662)** | **–** | **(2 855)** | **(3 123)** | **(73)** | **(128)** | **(3 324)** | – | **(6 179)** | | | | |
| **3. Operating expenses** | (863) | (389) | (96) | **(1 348)** | (1 781) | (46) | (41) | **(1 868)** | (2) | **(3 218)** | (31) | (223) | 44 | **(3 435)** |
| Attributable expenses (included in Insurance Service Expense) | (781) | (367) | – | **(1 148)** | (1 630) | (43) | (33) | **(1 706)** | – | **(2 854)** | – | – | – | **(2 854)** |
| Non-attributable expenses (included in Marketing and Administration expenses | (82) | (22) | (96) | **(200)** | (151) | (3) | (8) | **(162)** | (2) | **(364)** | (31) | (223) | 44 | **(581)** |
| 4. Non-insurance fee income | – | – | – | **–** | 16 | – | – | **16** | – | **16** | (3) | 204 | (30) | **187** |
| 5. Fair value to financial liabilities | (85) | – | – | **(85)** | – | – | – | **–** | – | **(85)** | | | | |
| **6. Underwriting result** | 1 061 | 108 | (96) | **1 073** | 873 | 12 | (65) | **820** | (2) | **1 891** | | | | |
| Investment income on insurance contract assets and liabilities | 43 | 11 | – | **54** | 72 | 3 | 10 | **85** | – | **139** | | | | |
| **Operating profit/(loss)** | 1 104 | 119 | (96) | **1 127** | 945 | 15 | (55) | **905** | (2) | **2 030** | | | | |
| **Ratio calculations (as disclosed in management commentary)** | | | | | | | | | | | | | | |
| Net claims ratio (2/1) | 52.2% | 57.1% | | **53.3%** | 54.2% | 55.7% | 123.1% | **55.4%** | | **54.4%** | | | | |
| Cost-to-income ratio (3/1) | 20.5% | 33.6% | | **25.1%** | 30.9% | 35.1% | 39.4% | **31.2%** | | **28.3%** | | | | |
| Group cost-to-income ratio (3/(2+4)) | | | | | | | | | | | | | | **28.9%** |
| Underwriting margin (6/1) | 25.2% | 9.3% | | **20.0%** | 15.2% | 9.2% | (62.5%) | **13.7%** | | **16.7%** | | | | |
| Combined ratio ((2+3+5)/1) | 74.8% | 90.7% | | **80.0%** | 85.1% | 90.8% | 162.5% | **86.6%** | | **83.5%** | | | | |
| **Reconciliation of insurance service expense** | | | | | | | | | | | | | | |
| Gross claims (including OUTbonus) | (2 207) | (648) | – | **(2 855)** | (2 869) | (88) | (485) | **(3 442)** | – | **(6 297)** | | | | |
| Change in loss component | (1) | (4) | – | **(5)** | – | – | – | **–** | – | **(5)** | | | | |
| Attributable expenses | (781) | (367) | – | **(1 148)** | (1 630) | (43) | (33) | **(1 706)** | – | **(2 854)** | | | | |
| Insurance service expense as disclosed | (2 989) | (1 019) | – | **(4 008)** | (4 499) | (131) | (518) | **(5 148)** | – | **(9 156)** | | | | |

*1 Includes net insurance finance expense (IFE) as disclosed in the statement of profit or loss.*

# Geographical segments

| R million | South Africa OUTsurance | South Africa OUTsurance Life | South Africa Administration services | South Africa Central and consolidation adjustments | Australia Youi Group | Ireland OUTsurance Ireland | OHL Group Total | South Africa Treasury Company and consolidation adjustments | OGL Group Total |
|---|---|---|---|---|---|---|---|---|---|
| **Segment statement of financial position information** | | | | | | | | | |
| **As at 31 December 2023** | | | | | | | | | |
| **Segment assets** | | | | | | | | | |
| Property and equipment | 157 | – | 12 | 190 | 781 | 33 | 1 173 | – | 1 173 |
| Reinsurance assets | 99 | 90 | – | – | 1 572 | – | 1 761 | – | 1 761 |
| Insurance assets | – | 229 | – | – | – | – | 229 | – | 229 |
| Financial assets | 5 727 | 3 207 | – | 268 | 11 403 | 1 823 | 22 428 | 1 738 | 24 166 |
| Investments in associates | – | – | – | 133 | 285 | – | 418 | 296 | 714 |
| Other assets | 809 | 60 | 253 | (563) | 1 489 | 84 | 2 132 | 376 | 2 508 |
| Cash and cash equivalents | 284 | 296 | 17 | 90 | 945 | 42 | 1 674 | 186 | 1 860 |
| **TOTAL SEGMENT ASSETS** | **7 076** | **3 882** | **282** | **118** | **16 475** | **1 982** | **29 815** | **2 596** | **32 411** |
| **Segment Equity** | | | | | | | | | |
| Share capital and premium | 25 | 435 | 100 | (1 994) | 1 650 | 2 038 | 2 254 | 13 057 | 15 311 |
| Retained earnings | 3 378 | 573 | 54 | 2 852 | 2 850 | (115) | 9 592 | (7 527) | 2 065 |
| Other equity reserves[1] | 39 | 13 | – | (1 127) | 1 062 | (21) | (34) | (4 142) | (4 176) |
| Non-controlling interests[1] | – | – | – | 265 | – | – | 265 | 1 086 | 1 351 |
| **TOTAL SEGMENT EQUITY** | **3 442** | **1 021** | **154** | **(4)** | **5 562** | **1 902** | **12 077** | **2 474** | **14 551** |
| **Segment liabilities** | | | | | | | | | |
| Reinsurance liabilities | – | 5 | – | – | – | – | 5 | – | 5 |
| Insurance liabilities | 2 074 | 649 | – | – | 9 529 | – | 12 252 | – | 12 252 |
| Other liabilities | 1 560 | 2 207 | 128 | 122 | 1 384 | 80 | 5 481 | 122 | 5 603 |
| **TOTAL SEGMENT LIABILITIES** | **3 634** | **2 861** | **128** | **122** | **10 913** | **80** | **17 738** | **122** | **17 860** |
| **TOTAL SEGMENT EQUITY AND LIABILITIES** | **7 076** | **3 882** | **282** | **118** | **16 475** | **1 982** | **29 815** | **2 596** | **32 411** |

1 *The Other equity reserves and Non-controlling interests were shown separately in the current financial period to better reflect the nature of the balances. Prior periods were updated for comparability.*

## Geographical segments *continued*

| | South Africa | | | | Australia | Ireland | OHL Group | South Africa | OGL Group |
|---|---|---|---|---|---|---|---|---|---|
| R million | OUTsurance | OUTsurance Life | Administration services | Central and consolidation adjustments | Youi Group | OUTsurance Ireland | Total | Treasury Company and consolidation adjustments | Total |
| **Segment statement of financial position information** | | | | | | | | | |
| **As at 30 June 2023 – Restated** | | | | | | | | | |
| **Segment assets** | | | | | | | | | |
| Property and equipment | 164 | – | 12 | 194 | 783 | 45 | 1 198 | – | 1 198 |
| Reinsurance assets | 27 | 68 | – | – | 992 | – | 1 087 | – | 1 087 |
| Insurance assets | – | 216 | – | – | – | – | 216 | – | 216 |
| Financial assets | 5 677 | 2 872 | – | 944 | 11 373 | – | 20 866 | 1 579 | 22 445 |
| Investments in associates | – | – | – | 192 | 247 | – | 439 | 349 | 788 |
| Other assets | 840 | 49 | 239 | (608) | 1 228 | 15 | 1 763 | 389 | 2 152 |
| Cash and cash equivalents | 182 | 185 | 8 | 205 | 863 | 83 | 1 526 | 149 | 1 675 |
| **TOTAL SEGMENT ASSETS** | 6 890 | 3 390 | 259 | 927 | 15 486 | 143 | 27 095 | 2 466 | 29 561 |
| **Segment Equity** | | | | | | | | | |
| Share capital and premium | 25 | 435 | 100 | (41) | 1 601 | 168 | 2 288 | 13 164 | 15 452 |
| Retained earnings | 3 254 | 755 | 35 | 2 301 | 3 110 | (56) | 9 399 | (7 832) | 1 567 |
| Other equity reserves[1] | 27 | 4 | – | (814) | 1 190 | 11 | 418 | (4 079) | (3 661) |
| Non-controlling interests[1] | – | – | – | 429 | – | – | 429 | 1 139 | 1 568 |
| **TOTAL SEGMENT EQUITY** | 3 306 | 1 194 | 135 | 1 875 | 5 901 | 123 | 12 534 | 2 392 | 14 926 |
| **Segment liabilities** | | | | | | | | | |
| Reinsurance liabilities | 30 | 6 | – | – | – | – | 36 | – | 36 |
| Insurance liabilities | 1 920 | 525 | – | – | 7 746 | – | 10 191 | – | 10 191 |
| Other liabilities | 1 634 | 1 655 | 124 | (948) | 1 839 | 20 | 4 334 | 74 | 4 408 |
| **TOTAL SEGMENT LIABILITIES** | 3 584 | 2 196 | 124 | (948) | 9 585 | 20 | 14 561 | 74 | 14 635 |
| **TOTAL SEGMENT EQUITY AND LIABILITIES** | 6 890 | 3 390 | 259 | 927 | 15 486 | 143 | 27 095 | 2 466 | 29 561 |

1 *The Other equity reserves and Non-controlling interests were shown separately in the current financial period to better reflect the nature of the balances. Prior periods were updated for comparability.*

## Geographical segments *continued*

| | South Africa | | | | Australia | Ireland | OHL Group | South Africa | OGL Group |
|---|---|---|---|---|---|---|---|---|---|
| R million | OUTsurance | OUTsurance Life | Administration services | Central and consolidation adjustments | Youi Group | OUTsurance Ireland | Total | Treasury Company and consolidation adjustments | Total |
| **Segment statement of financial position information** | | | | | | | | | |
| **As at 1 July 2022 – Restated** | | | | | | | | | |
| **Segment assets** | | | | | | | | | |
| Property and equipment | 143 | – | 1 | 208 | 708 | – | 1 060 | 5 | 1 065 |
| Reinsurance assets | 302 | 57 | – | – | 1 836 | – | 2 195 | – | 2 195 |
| Insurance assets | – | 145 | – | – | – | – | 145 | – | 145 |
| Financial assets | 4 947 | 1 356 | – | 1 225 | 7 269 | – | 14 797 | 1 709 | 16 506 |
| Investments in associates | – | – | – | 163 | 127 | – | 290 | 402 | 692 |
| Other assets | 490 | 84 | 222 | (521) | 704 | – | 980 | 525 | 1 505 |
| Cash and cash equivalents | 362 | 176 | 20 | 239 | 1 554 | – | 2 351 | 157 | 2 508 |
| TOTAL SEGMENT ASSETS | 6 244 | 1 819 | 243 | 1 314 | 12 198 | – | 21 818 | 2 798 | 24 616 |
| **Segment Equity[2]** | | | | | | | | | |
| Share capital and premium | 25 | 435 | 100 | 125 | 1 622 | – | 2 307 | 13 124 | 15 431 |
| Retained earnings | 3 147 | 603 | 53 | 2 171 | 1 928 | – | 7 902 | (7 796) | 106 |
| Other equity reserves[1] | (5) | 11 | – | (553) | 670 | – | 123 | (3 856) | (3 733) |
| Non-controlling interests[1] | – | – | – | 412 | – | – | 412 | 1 086 | 1 498 |
| TOTAL SEGMENT EQUITY | 3 167 | 1 049 | 153 | 2 155 | 4 220 | – | 10 744 | 2 558 | 13 302 |
| **Segment liabilities** | | | | | | | | | |
| Reinsurance liabilities | – | 1 | – | – | – | – | 1 | – | 1 |
| Insurance liabilities | 1 930 | 438 | – | – | 6 638 | – | 9 006 | – | 9 006 |
| Other liabilities | 1 147 | 331 | 90 | (841) | 1 340 | – | 2 067 | 240 | 2 307 |
| TOTAL SEGMENT LIABILITIES | 3 077 | 770 | 90 | (841) | 7 978 | – | 11 074 | 240 | 11 314 |
| TOTAL SEGMENT EQUITY AND LIABILITIES | 6 244 | 1 819 | 243 | 1 314 | 12 198 | – | 21 818 | 2 798 | 24 616 |

1 *The Other equity reserves and Non-controlling interests were shown separately in the current financial period to better reflect the nature of the balances. Prior periods were updated for comparability.*

2 *The Segment Equity for Youi Group was updated to reflect the historic exchange rates per transaction that took place in the equity reserves. These balances were previously disclosed at the closing exchange rate. The offsetting impact was disclosed in the central and consolidation adjustments column per equity balance. The net impact on the total equity is zero.*

# Notes to the consolidated annual financial statements

## 1. Basis of preparation

The Group's interim results are prepared in accordance with IFRS® Accounting Standards, as a minimum the requirements of IAS 34 Interim financial reporting, IFRIC® Interpretations, the requirements of the Companies Act of South Africa, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the JSE listing requirements. The interim results should be read in conjunction with the Annual Financial Statements for the year ended 30 June 2023.

The accounting policies and methods of computation used in the interim results are the same as those used in the OUTsurance Group's Annual Financial Statements, except for the adoption of new standards and interpretations effective in this reporting period.

## 2. Transition to IFRS 17

The International Accounting Standards Board (IASB) issued IFRS 17 Insurance Contracts in May 2017 as well as amendments to the standard on 25 June 2020. The effective date of IFRS 17, including the amendments, is reporting periods beginning on or after 1 January 2023 and needs to be applied retrospectively. In contrast to the current accounting standard, IFRS 4, which allows insurers to use their local generally accepted accounting practice (GAAP), IFRS 17 defines clear and consistent rules intended to increase the comparability of financial statements across the industry.

The transition to IFRS 17 had an impact on the presentation of our financial statements, measurement of the insurance contracts and key performance indicators. The Group adopted IFRS 17, with effective date being 1 July 2023, using the full retrospective approach and restated the 1 July 2022 opening balances. The impact on the Group's net asset value at 1 July 2022 was R350.2 million.

The transition to IFRS 17 did not have an impact on how the Group manages its insurance business nor how it manages insurance risk. Below is a summary of the impact of IFRS 17 on both OUTsurance Insurance Company Limited (OUTsurance) and Youi Pty Limited (Youi), the property and casualty insurance entities and OUTsurance Life insurance Company Limited (OUTsurance Life), the life insurance entity. The Group's judgements applied in the application of IFRS 17 as well as the IFRS 17 accounting policies are set out in the Appendix.

The Group changed its presentation policy (as stated in the June 2023 financial statements) from gross presentation of reinsurance income and expenses to net expenses from reinsurers to align with industry on the adoption of IFRS 17.

### 2.1 Impact on short-term licensed entities

The majority of the insurance contracts issued by the property and casualty insurance entities (OUTsurance and Youi) have a contract boundary of less than one year and thus management elected to apply the simplified measurement model, namely the Premium Allocation Approach (PAA). Management tested the small proportion of contracts with a contract boundary of more than one year and concluded that the contracts are eligible to apply the PAA measurement model.

The most significant change from IFRS 4 to IFRS 17 for the property and casualty insurance entities is the discounting of the liability for incurred claims. Even though this is a significant change, there is no material impact on the earnings recognition. The upfront recognition of onerous contracts under IFRS 17 has an immaterial impact on the short-term results.

The impact of discounting arises mostly from the long tail claims in Youi's compulsory third party (CTP) products and the long tail claims component from the non-claims bonus that accrues over a three-year period within OUTsurance (please refer to the judgments regarding accounting for the non-claims bonus). Management is including the impact of discounting when the claims ratio is calculated to reflect the financing costs of settling the claims.

The segment report (***page 37***), provides more information on how the key performance measurement ratios are calculated under IFRS 17.

## 2. Transition to IFRS 17 *continued*

### 2.2 Impact on OUTsurance Life

OUTsurance Life measures its insurance contracts using the General Measurement Model (GMM) as the contracts all have a contract boundary of more than one year. The GMM significantly changes the measurement of insurance contracts as follows:

#### a) The inclusion of only directly attributable expenses in the fulfilment cash flows

Consistent with the short-term business, management leveraged its existing management expense allocation approach and identifies cost centres which fulfil a directly attributable function in fulfilling the insurance obligations. This resulted in a decrease in the expense base included in the cash flow projections as non-attributable expenses are excluded. This also contributes to a lower release of reserves as coverage is provided.

#### b) Deferral of acquisition costs

The acquisition cash flows are also no longer expensed as incurred but deferred via the recognition of the contractual services margin (CSM) under IFRS 17. This increases profits with immediate recognition of new business and allows for the expense to be spread over the coverage period of the insurance contract.

#### c) Recognition of the CSM

Profits earned under the insurance contracts are now fully zeroised from inception of the policy, resulting in a deferral of profit over time. Any day one losses are recognised immediately.

The CSM is unaffected by changes in the yield curve as interest accretes using the locked-in yield curve. The CSM is adjusted for changes in non-financial assumptions. This allows for the impact of such adjustments and changes in experience to be spread over the lifetime of the insurance contract as opposed to being immediately recognised in profit or loss.

#### d) Risk adjustment for non-financial risk

The determination of the risk adjustment is no longer based on compulsory margins as defined by the Standard of Actuarial Practice (SAP) 104 but rather on the entity's risk appetite and acceptable confidence level.

For OUTsurance Life, a risk quantification has been conducted by leveraging off the South African regulatory regime's Financial Soundness Standards for Insurers to facilitate the calculation of the risk adjustment. The Life Underwriting component of the Solvency Capital Requirement is utilised and scaled down to the chosen confidence interval assuming a normal distribution. This approach results in a lower reserve being raised, as well as lower profits as the risk adjustment unwinds and is released over the coverage period.

Notes to the consolidated annual financial statements *continued*

## 2. Transition to IFRS 17 *continued*

### 2.2 Impact on OUTsurance Life *continued*

Below is a comparison of the insurance contract liability under IFRS 4 and IFRS 17. The IFRS 17 balances are net of the insurance and reinsurance debtors and creditors that were previously shown gross from the policyholder liability on the statement of financial position:

| | IFRS 17 | | |
|---|---|---|---|
| R million | **31 December 2023** | 30 June 2023 | 1 July 2022 |
| **Insurance contract liability** | | | |
| *Liability for remaining coverage* | **331** | 206 | 207 |
| Present value of future cash flows | **(874)** | (922) | (852) |
| Risk adjustment | **276** | 262 | 238 |
| CSM | **929** | 866 | 821 |
| *Liability for incurred claims* | **89** | 103 | 86 |
| Present value of future cash flows | **76** | 92 | 75 |
| Risk adjustment | **13** | 11 | 11 |
| **TOTAL INSURANCE CONTRACT LIABILITY** | **420** | 309 | **293** |

| | IFRS 4 | | |
|---|---|---|---|
| R million | **31 December 2023** | 30 June 2023 | 1 July 2022 |
| **Policyholder liability** | **1 138** | 969 | 828 |
| Best estimate liability | **(697)** | (736) | (683) |
| Compulsory margin | **656** | 592 | 572 |
| Discretionary margin | **1 179** | 1 113 | 939 |
| **TOTAL INSURANCE CONTRACT LIABILITY** | **1 138** | 969 | 828 |

| | IFRS 17 | | |
|---|---|---|---|
| R million | **31 December 2023** | 30 June 2023 | 1 July 2022 |
| **Reinsurance contract asset** | | | |
| *Liability for remaining claims* | **50** | 8 | 19 |
| Present value of future cash flows | **495** | 374 | 165 |
| Risk adjustment | **87** | 74 | 53 |
| CSM | **(532)** | (440) | (199) |
| *Liability for incurred claims* | **35** | 54 | 37 |
| Present value of future cash flows | **29** | 49 | 32 |
| Risk adjustment | **6** | 5 | 5 |
| **TOTAL REINSURANCE CONTRACT ASSET** | **85** | 62 | 57 |

| | IFRS 4 | | |
|---|---|---|---|
| R million | **31 December 2023** | 30 June 2023 | 1 July 2022 |
| **Reinsurers share of insurance contract liabilities** | **272** | 247 | (159) |
| Best estimate liability | **541** | 438 | (212) |
| Compulsory margin | **141** | 123 | (101) |
| Discretionary margin | **(410)** | (314) | 154 |
| **TOTAL REINSURERS SHARE OF INSURANCE CONTRACT LIABILITIES** | **272** | 247 | (159) |

## 2. Transition to IFRS 17 *continued*

### 2.3 Tax impact

#### South Africa

The Income Tax Act was amended for the implementation for IFRS 17. The main amendment consisted of a phase-in period of six years for life insurers and three years for non-life insurers of any tax payable or receivable as a result of the transition to IFRS 17. The change was enacted on 22 December 2022.

Even though the tax impact for OUTsurance Life is significant due to the changes in measurement of the insurance contracts, the overall tax impact of the South African entities on the Group results is not material. The impact in OUTsurance Life is due to the release of the compulsory risk margins held under SAP 104, and the lower unearned profit balance on transition date.

#### Australia

The Australian Government is currently introducing new measures to amend the income tax law with respect to general insurance. This new tax law provides broad alignment with the new accounting standard, AASB 17, to allow insurers to continue using audited financial statements as the basis for current and deferred tax balances. Under the new legislation there is no change to the effective tax rate. The tax amendment for the Australian tax law has not been substantively enacted yet.

### 2.4 Disclosure

The Group elected to present insurance contracts aggregated per geographical area with an additional split in OUTsurance South Africa between the property and casualty insurance and the life insurance entities. This disclosure best represents the Group as Youi is a material subsidiary of the Group that operates out of Australia and OUTsurance South Africa has contracts that are measured using different measurement models (GMM versus PAA). Aggregating by geographical area will prevent over aggregation once OUTsurance Ireland is fully operational.

## 3. New standards effective for the year under review

| Number | Effective date | Executive summary |
|---|---|---|
| IFRS 17 – Recognition and measurement of insurance contracts | Annual periods beginning on or after 1 January 2023 | This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. |
| Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 | Annual periods beginning on or after 1 January 2023 | The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. |
| Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction | Annual periods beginning on or after 1 January 2023 | These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. |
| Amendment to IAS 12 – International tax reform – pillar two model rules | Annual periods beginning on or after 1 January 2023 | These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. |

Except for IFRS 17, the new standards did not have a material effect on the financial statements. The updated accounting policies relating to IFRS 17 have been included in the Appendix.

## 4. New standards not yet effective

| Number | Effective date | Executive summary |
|---|---|---|
| Amendment to IAS 1 – Non-current liabilities with covenants | Annual periods beginning on or after 1 January 2024 | These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. |

The new standards not yet effective are not expected to have a material impact on the Group.

## 5. Corporate transactions

### 5.1 Sale of AutoGuru

During the period under review, the Group sold its share in AutoGuru, an Australian based associate, for R67.7 million, resulting in a profit of R50.8 million.

| R million | 31 December 2023 |
|---|---|
| Carrying amount of 25.09% investment in associate | (16) |
| Sales proceeds | 68 |
| Total profit on sale of investment in associate | 52 |
| Foreign exchange gain | 8 |
| Profit on sale of investment in associate | 44 |

### 5. 2 Transactions with non-controlling interest (NCI):

The Group purchased 54 687 500 Youi Holdings Pty Limited (Youi Holdings) ordinary shares from a minority shareholder in October 2023. The purchase price per share was A$0.777 and fixed at US$0.6324 per Australian Dollar. The exchange rate on payment date was R12.03. The OHL Group's ownership in Youi Holdings increased from 92.01% to 94.64% as a result of this transaction and the results of the Youi Group were consolidated in line with the updated percentage holding from the effective date.

The effect of the equity attributable to owners of Youi Group is summarised as follows:

| R million | 31 December 2023 |
|---|---|
| Carrying amount of the 7.99% NCI before the sale | 439 |
| Carrying amount of the 2.63% NCI acquired | 145 |
| Consideration paid for the minority shareholding | (512) |
| Excess of consideration paid and recognised in the transactions with NCI reserve | 367 |

# Notes to the consolidated annual financial statements *continued*

## 5. Corporate transactions *continued*

### 5. 3 Increase in investment in subsidiary

In the previous financial year, the Group expanded its foreign direct investment into the European market and established a 100% owned subsidiary in Ireland, OUTsurance Irish Insurance Holdings Limited (OUTsurance Irish Holdings), and its 100% owned subsidiary, OUTsurance Designated Activity Company (OUTsurance DAC), the operational entity.

During the period under review, the Group made additional share capital investments of €91.1 million in OUTsurance Irish Holdings to fund the minimum capital requirements of OUTsurance DAC to obtain its insurance license. The investments were made in two tranches:

- an investment of €2.0 million was made in September 2023 at a spot rate of R20.17 with a total foreign exchange loss of R12.2 million;
- an investment of €89.1 million was made in November 2023 at a spot rate of R20.53 with a total foreign exchange loss of R0.1 million.

The Group entered into various FEC derivative instruments to economically hedge its foreign currency exposure for these investments. To manage the Group's counterparty risk exposure for the second tranche, the FEC instruments were fixed in equal proportion with two major banks.

The Group funded the additional investment with surplus capital and the drawdown of the Group's revolving credit facility.

In addition to the share capital investment, OHL committed capital to fund the growth in OUTsurance DAC by subscribing to additional shares in OUTsurance Irish Holdings to the value of €10 million per year for the next six years.

### 5.4 OUTsurance Group Limited Conditional Share Plan (CSP)

A new CSP was introduced in the first half of the 2024 financial year. The CSP is designed to enable participants to share in the growth of the Group and create alignment between the interests of shareholders and participants. The intention of the incentive is to drive performance of the participants through a strong link between remuneration, financial, strategic performance and corporate sustainability. The shares are granted under the plan for no consideration and carry no dividend or voting rights until vesting. The scheme is classified as an equity-settled scheme.

The maximum number of shares issued, or treasury shares used to settle CSP awards shall not exceed 5% of the issued share capital of OGL. The maximum number of shares that can be settled to any one participant under the CSP is 0.5% of the issued share capital.

#### Terms and conditions of the plan

The following instruments will be awarded in terms of the CSP:

- Performance Shares – full value conditional share awards, which will vest on condition that participants fulfil pre-determined performance conditions and remain in the employment of the company for the duration of the performance period. Only executive directors and core senior management will receive performance shares. A separate set of performance conditions are calibrated for executives and senior management of the South African operation, which are specific to their area of influence. These were disclosed as part of the integrated report for the year ended 30 June 2023.
- Restricted Shares – full value conditional share awards which are awarded based on the performance of an employee and will vest on condition that a participant remains in the employment of the company for the duration of the performance period. Restricted Shares are awarded to employees below executive committee level and to CSP participants who do not receive Performance Shares.

#### Performance period and vesting period

The scheme has a three-year performance and vesting period.

## 5. Corporate transactions *continued*

### 5.4 OUTsurance Group Limited Conditional Share Plan (CSP) *continued*

**Determination of the grant date fair value**

The award value for on-target performance is fixed. The number of shares represented by the award value is determined on grant date by dividing the award value by the 15-day volume weighted average share price (VWAP) of OGL at grant date. To determine the grant date fair value, the 15-day OGL VWAP was used less the present value of expected dividends.

The key inputs to the grant date fair value are set out below:

| | |
|---|---|
| OGL VWAP | R40.49 |
| Dividend growth rate | 3.75% |
| Discount rate | 15.50% |

| | 31 December 2023 |
|---|---|
| Number of awards granted during the year | **4 617 973** |
| Number of awards delivered during the year | **–** |
| Number of awards cancelled during the year | **(53 868)** |
| Number of awards in force as at 31 December 2023 | **4 564 105** |
| Number of scheme participants | **244** |
| Weighted average remaining vesting period (years) | **2.75** |
| Charge to profit and loss (R million) | **12** |

## 6. Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value by level in the fair value hierarchy. The different levels are based on the extent that observable prices and/or data are used in the calculation of the fair value of the financial instruments. These levels are defined as follows:

- Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments as measured on the reporting date.
- Level 2 – fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly (for example prices) or indirectly (for example derived from prices).
- Level 3 – fair value is determined from inputs for the asset or liability that are not based on observable market data.

The following table presents the Group's financial assets and liabilities that are measured at fair value:

| R million | Level 1 | Level 2 | Level 3 | Total carrying amount |
|---|---|---|---|---|
| **31 December 2023** | | | | |
| **FINANCIAL ASSETS** | | | | |
| **Fair value through profit or loss** | | | | |
| Equity securities | | | | |
| Exchange traded funds | 937 | – | – | 937 |
| Listed non-cumulative, non-redeemable preference shares | 190 | – | – | 190 |
| Collective investment schemes | – | 432 | – | 432 |
| Unlisted equity | – | – | 10 | 10 |
| Debt securities | | | | |
| Zero-coupon deposits backing endowment policies | – | 1 701 | – | 1 701 |
| Zero-coupon deposits | – | 1 224 | – | 1 224 |
| Money market collective investment scheme <1 year | – | 640 | – | 640 |
| Other fixed rate debt securities | – | – | 174 | 174 |
| Unsecured investment in Development Fund | – | – | 56 | 56 |
| Convertible loan | – | – | 10 | 10 |
| **Fair value through other comprehensive income** | | | | |
| Equity securities | | | | |
| Unlisted equity | – | – | 886 | 886 |
| Debt securities | | | | |
| Money market securities >1 year | – | 2 077 | – | 2 077 |
| Money market securities <1 year | – | 2 048 | – | 2 048 |
| Collective investment schemes | – | 1 894 | – | 1 894 |
| Government, municipal and public utility securities | – | 580 | – | 580 |
| **Derivative financial instruments** | | | | |
| Collateralised swaps | – | 12 | – | 12 |
| Bond forward contract | – | 3 | – | 3 |
| **TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE** | **1 127** | **10 611** | **1 136** | **12 874** |
| **FINANCIAL LIABILITIES** | | | | |
| Debt securities | | | | |
| Investment contract liability | – | 1 701 | – | 1 701 |
| Financial liabilities at fair value through profit or loss | – | – | 74 | 74 |
| Derivative financial instruments | | | | |
| Interest rate swaps | – | 143 | – | 143 |
| **TOTAL FINANCIAL LIABILITIES CARRIED AT FAIR VALUE** | **–** | **1 844** | **74** | **1 918** |

## 6. Financial instruments measured at fair value *continued*

| R million | Level 1 | Level 2 | Level 3 | Total carrying amount |
|---|---|---|---|---|
| **30 June 2023** | | | | |
| **FINANCIAL ASSETS** | | | | |
| **Fair value through profit or loss[1]** | | | | |
| Equity securities | | | | |
| Exchange traded funds | 774 | – | – | 774 |
| Listed non-cumulative, non-redeemable preference shares | 191 | – | – | 191 |
| Collective investment schemes | – | 431 | – | 431 |
| Unlisted equity | – | – | 10 | 10 |
| Debt securities | | | | |
| Zero-coupon deposits backing endowment policies | – | 1 231 | – | 1 231 |
| Zero-coupon deposits | – | 1 047 | – | 1 047 |
| Money market collective investment scheme <1 year[2] | – | 826 | – | 826 |
| Other fixed rate debt securities | – | – | 180 | 180 |
| Unsecured investment in Development Fund | – | – | 52 | 52 |
| Convertible loan | – | – | 9 | 9 |
| **Fair value through other comprehensive income[1]** | | | | |
| Equity securities | | | | |
| Unlisted equity | – | – | 391 | 391 |
| Debt securities | | | | |
| Money market securities <1 year | – | 2 610 | – | 2 610 |
| Money market securities >1 year | – | 2 174 | – | 2 174 |
| Collective investment schemes | – | 936 | – | 936 |
| Government, municipal and public utility securities | – | 316 | – | 316 |
| **Derivative financial instruments** | | | | |
| FEC instrument | – | 9 | – | 9 |
| Bond forward contract[3] | – | – | – | – |
| **TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE** | 965 | 9 580 | 642 | 11 187 |
| **FINANCIAL LIABILITIES** | | | | |
| Debt securities | | | | |
| Investment contract liability | – | 1 231 | – | 1 231 |
| Financial liabilities at fair value through profit or loss | – | – | 112 | 112 |
| Derivative financial instruments | | | | |
| Interest rate swaps | – | 77 | – | 77 |
| FEC instrument | – | 4 | – | 4 |
| **TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE** | – | 1 312 | 112 | 1 424 |

1 In the current period, equity and debt securities in financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are separately presented, and therefore the prior year was re-presented to align with the current period.
2 The description of the debt security was updated to better reflect the nature thereof.
3 Due to rounding, an amount of R397 000 was excluded. The bond forward would be included as a level 2 instrument.

## 6. Financial instruments measured at fair value *continued*

The fair values of the above instruments were determined as follows:

### Level 1

The fair value of financial instruments traded in an active market is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair values of these investments are calculated based on the quoted closing prices of the individual investments on reporting date.

Level 1 instruments comprise the following:

- **Exchange traded funds:** This investment track the performance of the top fifty companies listed on the JSE.
- **Listed non-cumulative, non-redeemable preference shares:** These instruments comprise mainly equity and debt instruments classified as trading securities.

### Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are market observable, the instrument is included in Level 2.

Level 2 instruments comprise the following, with a description of their valuation techniques provided:

- **Collective investment schemes:** These instruments are fair valued monthly by multiplying the number of units held by the closing market price which is based on the most recently available observable inputs.
- **Zero-coupon deposits:** These instruments are not traded actively during a financial reporting period. The Group uses zero-coupon deposits to offset the interest rate risk inherent in some of the life insurance products underwritten by OUTsurance Life. The counterparties to these deposits are the large South African banks. The zero-coupon deposits have been structured to allow for the payment of the notional initial deposit to be spread over the specified term to enable cash flow matching. The maturity dates of the accreting zero-coupon deposits are long-term, with maturity dates at the various trading dates not exceeding 15 years. The fair values of the accreting zero-coupon deposits are determined monthly based on observable market inputs. To determine the fair values of the accreting zero-coupon deposits, a risk-free Swap Yield Curve produced every business day by the Johannesburg Securities Exchange is referenced. The instruments are designated at fair value through profit or loss, with both the interest accrual and fair value accounted for in profit or loss. The entire balance of the zero-coupon deposits is exposed to credit risk. The zero-coupon deposit has specifically remained classified as fair value through profit or loss under the 'accounting mismatch' rule as these financial assets have specifically been acquired to match the non-claims bonus portion of the policyholder liability.
- **Government, municipal and public utility securities and money market securities:** The fair value of money market instruments and government, municipal and public utility securities is determined based on observable market inputs. These instruments consist of fixed and floating rate notes held in segregated portfolios and are typically listed on the JSE Interest Rate Market. These listed instruments are not as actively traded as Level 1 instruments. The fair value of these instruments are determined by using market observable inputs. The fair value yield, term-to-maturity, coupon payments and maturity value are used to discount the expected cash flows of these instruments to their present value in determining the fair value at the financial year-end.
- **Zero-coupon deposits backing endowment policies and the investment contract liability backing the asset:** These instruments relate to linked endowment policies. The fair value is based on the quoted interest rates provided in each contract. The Group is not the ultimate counterparty to these endowment policies but rather acts as an agent to the arrangement between the client and a third party. As such the asset and liability are designed to set off against each other.
- **Interest rate swaps:** These swap arrangements consist of fixed for floating instruments. The fixed leg is priced at a fixed percentage plus a contractually agreed basis point adjustment and the floating leg is priced at 3 month JIBAR.
- **Collateralised swaps:** The fair value of collateralised swap arrangements, whereby the R2048 government bond serves as collateral and is the underlying, is determined in the same manner as other money market instruments described above.
- **Bond forward contract:** The fair value of the bond forward contract is derived from the fair value of the underlying bonds which are linked to the CPI index. The fair value of these bonds are calculated in the same manner as the other government and money market securities described above.

## Notes to the consolidated annual financial statements *continued*

## 6. Financial instruments measured at fair value *continued*

### Level 2 *continued*

The Group makes use of interest rate swaps, collateralised swaps and bond forward arrangements to manage the interest rate risk contained in the non-bonus policyholder liability.

Whilst the above instruments are not traded on an active market, the variable inputs relating to their valuation are readily available in the market place. The remaining inputs have been contractually agreed and are reflective of market related terms and conditions.

### Level 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3. The table below analyses the movement of the total level 3 financial assets as at 31 December and 30 June 2023:

| R million | 31 December 2023 | 30 June 2023 |
|---|---|---|
| **Opening balance** | **642** | 815 |
| Recognised following the dilution of an associate | **555** | – |
| Disposals (sales and redemptions) | **(37)** | (186) |
| Fair value movement through profit or loss | **7** | 2 |
| Fair value movement through other comprehensive income | **(31)** | 11 |
| **CLOSING BALANCE** | **1 136** | 642 |

Level 3 instruments comprise the following, with a description of their valuation techniques provided:

- **Other fixed rate debt securities:** The Group has an outstanding loan amount at fair value of R174 million (30 June 2023: R180 million) granted to the OUTsurance Equity Trust 2, the value of which is not significantly sensitive to an increase or decrease in the counterparty credit rating due to the collateralised nature of the loan. During the previous year, an outstanding loan amount at fair value of R183 million to OUTsurance Equity Trust was settled in full.

The table below analyses the movement of the other fixed rate debt securities as at 31 December and 30 June 2023:

| R million | 31 December 2023 | 30 June 2023 |
|---|---|---|
| **Opening balance** | **180** | 357 |
| Disposals | **(8)** | (183) |
| Fair value movement through profit or loss | **8** | 19 |
| Dividends received | **(6)** | (13) |
| **CLOSING BALANCE** | **174** | 180 |

- **Unlisted equity at fair value through other comprehensive income:**
  On 6 December 2023, the Group transferred an investment held in an associate at its fair value to financial assets carried at fair value through other comprehensive income following the dilution of the Group's investment in the associate. The fair value of unlisted equity at fair value through other comprehensive income is determined based on discounted cash flow calculations taking into account unobservable inputs of similar companies. These unobservable inputs include discount rates of between 14.7% to 15.7%, revenue and loan book growth, fees earned, disbursements and cost to income ratios. The higher the discount rate, the lower the fair value. On 40% of the portfolio, an increase or decrease of 1% per annum on loan book growth and fees would increase or decrease the fair value by 11% and an increase or decrease of 10 basis points in the disbursement growth would result in an increase or decrease by 9.5% in fair value. On 60% of the portfolio, an increase or decrease of 2.5% in annual recurring revenue growth would result in a 10% increase or decrease in valuation. These investments are also exposed to currency risk.

## 6. Financial instruments measured at fair value *continued*

### Level 3 *continued*

The table below analyses the movement of the ordinary shares held in unlisted companies as at 31 December and 30 June 2023:

| R million | 31 December 2023 | 30 June 2023 |
|---|---|---|
| **Opening balance** | **360** | 352 |
| Recognised following the dilution of an associate | **555** | – |
| Fair value movement through other comprehensive income | **(29)** | 8 |
| CLOSING BALANCE | **886** | 360 |

**Equity investment in Blue Zebra Insurance**

Unlisted equity relating to convertible preference shares include an investment in Blue Zebra Insurance. The convertible preference share is redeemable solely at the discretion of the issuer. The fair value of the equity investment is determined based on standard valuation techniques where the net asset value of the issuer, is a key input. The preference share was redeemed during the period under review.

The table below analyses the movement of the convertible preference share with Blue Zebra Insurance as at 31 December and 30 June 2023:

| R million | 31 December 2023 | 30 June 2023 |
|---|---|---|
| **Opening balance** | **31** | 31 |
| Redemption | **(29)** | (3) |
| Foreign exchange difference | **(2)** | 3 |
| CLOSING BALANCE | **–** | 31 |

- **Unsecured investment in Development Fund**: The Group invested in the ASISA Enterprise Development Fund of which the objective is to make investments in underlying B-BBEE development entities. The nature of the underlying debt and equity investments are high risk, small- and medium sized businesses which are exposed to start-up, scale and macro-economic risk. As such gains and losses which could arise from the underlying investments are material, relative to the size of the Group's investment in the fund.

The investment is fair valued by multiplying the number of units held by the closing price of R87.34 (30 June 2023: R80.03) per unit as valued by the fund. A 20% positive or negative change in the value of the underlying investments is deemed to be a reasonable expected range of potential fluctuation of the Group's investment and will result in the following fair value of the fund.

| R million | Current | 20% increase in fair value | 20% decrease in fair value |
|---|---|---|---|
| **31 December 2023** | | | |
| Fair Value | **56** | **68** | **45** |
| **30 June 2023** | | | |
| Fair Value | 52 | 62 | 42 |

The table below analyses the movement of the unsecured investment in Development Fund as at 31 December and 30 June 2023:

| R million | 31 December 2023 | 30 June 2023 |
|---|---|---|
| **Opening balance** | **52** | 58 |
| Fair value adjustments | **4** | (6) |
| CLOSING BALANCE | **56** | 52 |

## 6. Financial instruments measured at fair value *continued*

### Level 3 *continued*

- **Convertible loan:** The loan with AutoGuru Australia Pty Limited (AutoGuru). The only significant unobservable inputs in the calculation are the market value of the AutoGuru shares, as this is an unlisted private company, and the underlying interest rate. Due to the fact that the loan is convertible into shares of AutoGuru, it exposes the Group to equity price risk. As a result of the absence of quoted prices for the shares when the convertible bond was issued it fails the SPPI criteria, therefore the loan is designated as fair value through profit or loss. The fair value is determined based on a present value calculation taking into account the term to maturity, underlying interest rate and the share price of AutoGuru. The fair value was derived from an interest rate of 10% (30 June 2023: 10.0%). This interest rate has been contractually agreed and is adjusted for the prevailing bank bill swap rate (BBSR) applicable at valuation date. A 2% movement in the interest rate would result in the following fair values being recognised at 31 December 2023 and 30 June 2023:

| R million | Current | 2% increase in interest rate | 2% decrease in interest rate |
|---|---|---|---|
| **31 December 2023** | | | |
| Fair Value | **10** | **12** | **8** |
| **30 June 2023** | | | |
| Fair Value | 9 | 11 | 7 |

- **Financial liabilities at fair value through profit or loss:** A specific valuation technique is used to value this financial instrument which represents the accrued profit related to the FirstRand Bank Limited homeowners profit-sharing arrangement, as well as the accrued profit related to the Shoprite funeral profit-sharing arrangement.

Profits arising out of the homeowners profit-sharing arrangement accrue on a monthly basis and are distributed as preference dividends bi-annually to FirstRand Bank Limited. Profits arising out of the funeral profit sharing arrangement accrue on a monthly basis and are distributed as preference dividends annually to Shoprite Investment Limited. The only significant unobservable input in the calculation of the preference dividends is the historic profit of the profit-sharing arrangements and there are no other inputs that determine the value of these instruments. Should the profit of the profit-sharing arrangement increase or decrease by 10%, for instance, the preference dividend will also increase or decrease by 10%.

No assumptions or adjustments or any other inputs are made to the profits before or after distribution. Distribution of the profits arising are made in the form of preference dividends.

| R million | 31 December 2023 | 30 June 2023 |
|---|---|---|
| **Opening balance** | **112** | 72 |
| Preference dividend paid | **(112)** | (156) |
| Profit accrued | **74** | 196 |
| **CLOSING BALANCE** | **74** | 112 |

The profit or loss of these profit-sharing arrangements is sensitive to:

- claims ratio of the pool of business;
- expense ratio of the pool of business; and
- investment income on this pool of business.

There were no transfers between the different levels of financial assets at fair value and financial liabilities at fair value.

# Notes to the consolidated annual financial statements *continued*

## 7. Non-insurance related fee income

| R million | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Government grant received | **33** | 36 |
| Fees received from investment advice and administration services | **14** | 10 |
| Fees received from contact centre services | **197** | 151 |
| | **244** | 197 |

## 8. Insurance and Reinsurance contracts

| | **31 December 2023** | | | | 30 June 2023 Restated | | | |
|---|---|---|---|---|---|---|---|---|
| R million | **OUTsurance** | **Youi** | **OUTsurance Life** | **Total** | OUTsurance | Youi | OUTsurance Life | Total |
| **Insurance contracts** | **2 074** | **9 529** | **420** | **12 023** | 1 920 | 7 746 | 309 | 9 975 |
| Insurance contract liabilities | **2 074** | **9 529** | **649** | **12 252** | 1 920 | 7 746 | 525 | 10 191 |
| Insurance contract assets | **–** | **–** | **(229)** | **(229)** | – | – | (216) | (216) |
| **Reinsurance contracts** | **99** | **1 572** | **85** | **1 756** | (3) | 992 | 62 | 1 051 |
| Reinsurance contract assets | **99** | **1 572** | **90** | **1 761** | 27 | 992 | 68 | 1 087 |
| Reinsurance contract liabilities | **–** | **–** | **(5)** | **(5)** | (30) | – | (6) | (36) |

Notes to the consolidated annual financial statements *continued*

## 8. Insurance and Reinsurance contracts *continued*

### 8.1 Short-term Insurance Contracts Issued – OUTsurance

| | 31 December 2023 | | | | | 30 June 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | LRC | | LIC | | | LRC | | LIC | | |
| R million | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment for non-financial risk | Total | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment for non-financial risk | Total |
| Opening liabilities | 471 | 10 | 1 304 | 135 | 1 920 | 469 | 16 | 1 265 | 180 | 1 930 |
| **Changes in the statement of profit or loss and OCI** | | | | | | | | | | |
| Insurance revenue | (5 999) | – | – | – | (5 999) | (11 137) | – | – | – | (11 137) |
| Insurance service expenses | – | (1) | 4 262 | 13 | 4 274 | – | (6) | 8 144 | (54) | 8 084 |
| Total claims expense | – | – | 3 997 | 125 | 4 122 | – | | 7 547 | 117 | 7 664 |
| Incurred claims | – | – | 2 736 | 125 | 2 861 | – | – | 5 163 | 117 | 5 280 |
| Other insurance service expenses | – | – | 1 261 | – | 1 261 | – | – | 2 384 | – | 2 384 |
| OUTbonus accrual | – | – | 86 | 3 | 89 | – | – | 231 | 8 | 239 |
| Amortisation of acquisition cost | – | – | – | – | – | – | – | – | – | – |
| Losses and reversal of losses on onerous contracts | – | (1) | – | – | (1) | – | (6) | – | – | (6) |
| Changes that relate to past service: adjustment to liabilities for incurred claims | – | – | (51) | (114) | (165) | – | – | 41 | (166) | (125) |
| Changes that relate to past service: adjustment to liabilities for OUTbonus | – | – | 230 | (1) | 229 | – | – | 325 | (13) | 312 |
| **Insurance service result** | (5 999) | (1) | 4 262 | 13 | (1 725) | (11 137) | (6) | 8 144 | (54) | (3 053) |
| Net finance expenses from insurance contracts | – | – | 67 | 7 | 74 | – | – | 77 | 9 | 86 |
| **TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS AND OCI** | (5 999) | (1) | 4 329 | 20 | (1 651) | (11 137) | (6) | 8 221 | (45) | (2 967) |
| **Transfer to other items in the statement of financial position** | – | – | (29) | – | (29) | – | – | (274) | – | (274) |
| **Cash flows** | | | | | | | | | | |
| Premiums received | 5 977 | – | – | – | 5 977 | 11 139 | – | – | – | 11 139 |
| Insurance acquisition cash flow | – | – | – | – | – | – | – | – | – | – |
| Claims | – | – | (2 612) | – | (2 612) | – | – | (5 261) | – | (5 261) |
| Other insurance service expenses paid | – | – | (1 232) | – | (1 232) | – | – | (2 110) | – | (2 110) |
| OUTbonus claims paid | – | – | (299) | – | (299) | – | – | (537) | – | (537) |
| **TOTAL CASH FLOWS** | 5 977 | – | (4 143) | – | 1 834 | 11 139 | | (7 908) | – | 3 231 |
| **CLOSING LIABILITIES** | 449 | 9 | 1 461 | 155 | 2 074 | 471 | 10 | 1 304 | 135 | 1 920 |

Notes to the consolidated annual financial statements *continued*

## 8. Insurance and Reinsurance contracts *continued*

### 8.2 Short-term Insurance Contracts Issued – Youi

| | 31 December 2023 | | | | | 30 June 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | LRC | | LIC | | | LRC | | LIC | | |
| R million | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment for non-financial risk | Total | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment for non-financial risk | Total |
| Opening liabilities | 3 589 | 4 | 3 854 | 299 | 7 746 | 2 613 | 10 | 3 747 | 268 | 6 638 |
| **Changes in the statement of profit or loss and OCI** | | | | | | | | | | |
| Insurance revenue | (8 889) | – | – | – | (8 889) | (14 840) | – | – | – | (14 840) |
| Insurance service expenses | 1 199 | (2) | 6 447 | 114 | 7 758 | 1 838 | (7) | 9 075 | (4) | 10 902 |
| Total claims expense | – | – | 6 413 | 248 | 6 661 | – | – | 9 828 | 219 | 10 047 |
| Incurred claims | – | – | 5 379 | 248 | 5 627 | – | – | 8 069 | 219 | 8 288 |
| Other insurance service expenses | – | – | 1 034 | – | 1 034 | – | – | 1 759 | – | 1 759 |
| Amortisation of acquisition cost | 1 199 | – | – | – | 1 199 | 1 838 | – | – | – | 1 838 |
| Losses and reversal of losses on onerous contracts | – | (2) | – | – | (2) | – | (7) | – | – | (7) |
| Changes that relate to past service: adjustment to liabilities for incurred claims | – | – | 34 | (134) | (100) | – | – | (753) | (223) | (976) |
| **Insurance service result** | (7 690) | (2) | 6 447 | 114 | (1 131) | (13 002) | (7) | 9 075 | (4) | (3 938) |
| Net finance expenses from insurance contracts | – | – | 51 | 6 | 57 | – | – | 33 | 4 | 37 |
| **TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS AND OCI** | (7 690) | (2) | 6 498 | 120 | (1 074) | (13 002) | (7) | 9 108 | – | (3 901) |
| **Transfer to other items in the statement of financial position** | 23 | – | 67 | – | 90 | (47) | – | (111) | – | (158) |
| **Cash flows** | | | | | | | | | | |
| Premiums received | 9 575 | – | – | – | 9 575 | 15 728 | – | – | – | 15 728 |
| Acquisition cash flows paid | (1 451) | – | – | – | (1 451) | (2 041) | – | – | – | (2 041) |
| Claims | – | – | (4 237) | – | (4 237) | – | – | (7 667) | – | (7 667) |
| Other insurance service expenses paid | – | – | (1 101) | – | (1 101) | – | – | (1 647) | – | (1 647) |
| **TOTAL CASH FLOWS** | 8 124 | – | (5 338) | – | 2 786 | 13 687 | | (9 314) | – | 4 373 |
| Foreign exchange movement | (17) | – | (3) | 1 | (19) | 338 | 1 | 424 | 31 | 794 |
| **CLOSING LIABILITIES** | 4 029 | 2 | 5 078 | 420 | 9 529 | 3 589 | 4 | 3 854 | 299 | 7 746 |

# Notes to the consolidated annual financial statements *continued*

## 8. Insurance and Reinsurance contracts *continued*

### 8.3 OUTsurance – Reinsurance Contracts Held

| R million | 31 December 2023: Asset for remaining coverage – Excluding loss recovery component | 31 December 2023: Asset for remaining coverage – Loss recovery component[1] | 31 December 2023: Asset for Incurred claims – Present value of future cash flows | 31 December 2023: Asset for Incurred claims – Risk adjustment for non-financial risk | 31 December 2023: Total | 30 June 2023: Asset for remaining coverage – Excluding loss recovery component | 30 June 2023: Asset for remaining coverage – Loss recovery component | 30 June 2023: Asset for Incurred claims – Present value of future cash flows | 30 June 2023: Asset for Incurred claims – Risk adjustment for non-financial risk | 30 June 2023: Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Opening asset | (12) | – | 38 | 1 | 27 | (5) | – | 283 | 24 | 302 |
| Opening liabilities | (5) | – | (25) | – | (30) | – | – | – | – | – |
| **NET OPENING BALANCE** | (17) | – | 13 | 1 | (3) | (5) | – | 283 | 24 | 302 |
| **Changes in the statement of profit or loss** | | | | | | | | | | |
| Reinsurance expense | (97) | – | – | – | (97) | (196) | – | – | – | (196) |
| Incurred claims recovery | – | – | 12 | 3 | 15 | – | – | 4 | – | 4 |
| Changes that relate to past service – Changes to the FCF relating to incurred claims recovery | – | – | 2 | (1) | 1 | – | – | 64 | (24) | 40 |
| Changes relating to future services: Loss recovery component[2] | – | – | – | – | – | – | – | – | – | – |
| Effect of changes in the risk of reinsuers non-performance | – | – | – | – | – | – | – | – | – | – |
| **Net income (expense) from reinsurers contracts held** | (97) | – | 14 | 2 | (81) | (196) | – | 68 | (24) | (152) |
| Net finance expenses from reinsurance contracts | – | – | 1 | – | 1 | – | – | 2 | 1 | 3 |
| TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS AND OCI | (97) | – | 15 | 2 | (80) | (196) | – | 70 | (23) | (149) |
| **Cash flows** | | | | | | | | | | |
| Premiums paid | 198 | – | 2 | – | 200 | 184 | – | 96 | – | 280 |
| Recoveries from Reinsurer | – | – | (18) | – | (18) | – | – | (436) | – | (436) |
| TOTAL CASH FLOWS | 198 | – | (16) | – | 182 | 184 | – | (340) | – | (156) |
| NET CLOSING BALANCE | 84 | – | 12 | 3 | 99 | (17) | – | 13 | 1 | (3) |
| Closing asset | – | – | – | – | – | (12) | – | 38 | 1 | 27 |
| Closing liability | 84 | – | 12 | 3 | 99 | (5) | – | (25) | – | (30) |

1 *The Loss recovery component of R401 867 (30 June 2023: R319 346) was ommitted due to rounding.*

2 *Movements in the period immaterial.*

## 8. Insurance and Reinsurance contracts *continued*

### 8.4 Youi – Reinsurance Contracts Held

| R million | 31 December 2023 Asset for remaining coverage: Excluding loss recovery component | 31 December 2023 Asset for remaining coverage: Loss recovery component | 31 December 2023 Asset for Incurred claims: Present value of future cash flows | 31 December 2023 Asset for Incurred claims: Risk adjustment for non-financial risk | 31 December 2023 Total | 30 June 2023 Asset for remaining coverage: Excluding loss recovery component | 30 June 2023 Asset for remaining coverage: Loss recovery component | 30 June 2023 Asset for Incurred claims: Present value of future cash flows | 30 June 2023 Asset for Incurred claims: Risk adjustment for non-financial risk | 30 June 2023 Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Opening asset | **(316)** | **(15)** | **1 225** | **98** | **992** | (519) | (7) | 2 239 | 123 | 1 836 |
| **Changes in the statement of profit or loss** | | | | | | | | | | |
| Reinsurance expense | **(1 022)** | **–** | **–** | **–** | **(1 022)** | (2 045) | – | – | – | (2 045) |
| Incurred claims recovery | **–** | **–** | **431** | **46** | **477** | – | – | (246) | (132) | (378) |
| Changes that relate to past service – Changes to the FCF relating to incurred claims recovery | **–** | **–** | **27** | **(21)** | **6** | – | – | 460 | 98 | 558 |
| Changes relating to future services: loss recovery component | **–** | **4** | **–** | **–** | **4** | – | (7) | – | – | (7) |
| Effect of changes in the risk of reinsuers non-performance | **–** | **–** | **–** | **–** | **–** | – | – | – | – | – |
| **Net income (expense) from reinsurers contracts held** | **(1 022)** | **4** | **458** | **25** | **(535)** | (2 045) | (7) | 214 | (34) | (1 872) |
| Net finance expenses from reinsurance contracts | **–** | **–** | **21** | **8** | **29** | – | – | 20 | (2) | 18 |
| **TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS AND OCI** | **(1 022)** | **4** | **479** | **33** | **(506)** | (2 045) | (7) | 234 | (36) | (1 854) |
| **Cash flows** | | | | | | | | | | |
| Premiums paid | **1 507** | **–** | **–** | **–** | **1 507** | 2 296 | – | – | – | 2 296 |
| Recoveries from Reinsurer | **–** | **–** | **(425)** | **–** | **(425)** | – | – | (1 454) | – | (1 454) |
| **TOTAL CASH FLOWS** | **1 507** | **–** | **(425)** | **–** | **1 082** | 2 296 | – | (1 454) | – | 842 |
| Foreign exchange movements | **11** | **1** | **(8)** | **–** | **4** | (48) | (1) | 206 | 11 | 168 |
| **CLOSING ASSET** | **180** | **(10)** | **1 271** | **131** | **1 572** | (316) | (15) | 1 225 | 98 | 992 |

# 8. Insurance and Reinsurance contracts *continued*

## 8.5 Life risk – insurance contracts issued

### Reconciliation of the liability for remaining coverage and the liability for incurred claims

| R million<br>31 December 2023 | Liabilities for remaining coverage<br>Excluding loss component | <br>Loss component | Liabilities for incurred claims | Total |
|---|---|---|---|---|
| Opening insurance contract assets | (347) | 126 | 5 | (216) |
| Opening insurance contract liabilities | (29) | 456 | 98 | 525 |
| NET OPENING BALANCE | (376) | 582 | 103 | 309 |
| **Insurance revenue** | (440) | – | – | (440) |
| CSM recognised for services provided | (81) | – | – | (81) |
| Change in risk adjustment for non-financial risk for risk expired | (14) | – | – | (14) |
| Expected insurance service expenses incurred | (231) | – | – | (231) |
| Recovery of insurance acquisition cash flows | (126) | – | – | (126) |
| Experience adjustment not related to future service | 12 | – | – | 12 |
| **Insurance Service Expenses** | | | | |
| **Incurred insurance service expenses:** | – | (23) | 266 | 243 |
| Claims | – | (15) | 233 | 218 |
| Expenses | – | (8) | 62 | 54 |
| Other movements related to current service | – | – | (29) | (29) |
| Amortisation of insurance acquisition cash flows | 126 | – | – | 126 |
| Changes that relate to past service (changes in fulfilment cash flows re LIC) | – | – | (29) | (29) |
| **Changes that relate to future service** | – | 16 | – | 16 |
| Losses for the net outflow recognised on initial recognition | – | 23 | – | 23 |
| Losses and reversal of losses on onerous contracts – subsequent measurement | – | (7) | – | (7) |
| TOTAL INSURANCE SERVICE EXPENSES | 126 | (7) | 237 | 356 |
| TOTAL INSURANCE SERVICE RESULT | (314) | (7) | 237 | (84) |
| **Insurance Finance Income or Expense** | | | | |
| The effect of and changes in time of time value of money and financial risk | 31 | 22 | 21 | 74 |
| TOTAL INSURANCE FINANCE INCOME OR EXPENSE | 31 | 22 | 21 | 74 |
| TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS | (283) | 15 | 258 | (10) |
| **Cash flows** | | | | |
| Premium received | 528 | – | – | 528 |
| Claims and other insurance service expenses paid | – | – | (272) | (272) |
| Insurance acquisition cash flows | (135) | – | – | (135) |
| TOTAL CASH FLOWS | 393 | – | (272) | 121 |
| NET CLOSING BALANCE | (266) | 597 | 89 | 420 |
| Closing Insurance contract assets | (375) | 139 | 7 | (229) |
| Closing Insurance contract liabilities | 109 | 458 | 82 | 649 |
| NET CLOSING BALANCE | (266) | 597 | 89 | 420 |

## 8. Insurance and Reinsurance contracts *continued*

### 8.5 Life risk – insurance contracts issued *continued*

**Reconciliation of the liability for remaining coverage and the liability for incurred claims** *continued*

| R million<br>**30 June 2023** | Liabilities for remaining coverage: Excluding loss component | Liabilities for remaining coverage: Loss component | Liabilities for incurred claims | Total |
|---|---|---|---|---|
| Opening insurance contract assets | (189) | 40 | 4 | (145) |
| Opening insurance contract liabilities | (60) | 416 | 82 | 438 |
| NET OPENING BALANCE | (249) | 456 | 86 | 293 |
| **Insurance revenue** | (856) | – | – | (856) |
| CSM recognised for services provided | (148) | – | – | (148) |
| Change in risk adjustment for non-financial risk for risk expired | (25) | – | – | (25) |
| Expected insurance service expenses incurred | (489) | – | – | (489) |
| Recovery of insurance acquisition cash flows | (216) | – | – | (216) |
| Experience adjustment not related to future service | 22 | – | – | 22 |
| **Insurance Service Expenses** | | | | |
| **Incurred insurance service expenses:** | – | (61) | 456 | 395 |
| Claims | – | (39) | 444 | 405 |
| Expenses | – | (22) | 95 | 73 |
| Other movements related to current service | – | – | (83) | (83) |
| Amortisation of insurance acquisition cash flows | 216 | – | – | 216 |
| Changes that relate to past service (changes in fulfilment cash flows re LIC) | – | – | (32) | (32) |
| **Changes that relate to future service** | – | 149 | – | 149 |
| Losses for the net outflow recognised on initial recognition | – | 144 | – | 144 |
| Losses and reversal of losses on onerous contracts – subsequent measurement | – | 5 | – | 5 |
| TOTAL INSURANCE SERVICE EXPENSES | 216 | 88 | 424 | 728 |
| TOTAL INSURANCE SERVICE RESULT | (640) | 88 | 424 | (128) |
| **Insurance Finance Income or Expense** | | | | |
| The effect of and changes in time of time value of money and financial risk | (86) | 38 | 28 | (20) |
| TOTAL INSURANCE FINANCE INCOME OR EXPENSE | (86) | 38 | 28 | (20) |
| TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS | (726) | 126 | 452 | (148) |
| **Cash flows** | | | | |
| Premium received | 941 | – | – | 941 |
| Claims and other insurance service expenses paid | – | – | (435) | (435) |
| Insurance acquisition cash flows | (342) | – | – | (342) |
| TOTAL CASH FLOWS | 599 | – | (435) | 164 |
| NET CLOSING BALANCE | (376) | 582 | 103 | 309 |
| Closing Insurance contract assets | (347) | 126 | 5 | (216) |
| Closing Insurance contract liabilities | (29) | 456 | 98 | 525 |
| NET CLOSING BALANCE | (376) | 582 | 103 | 309 |

Notes to the consolidated annual financial statements *continued*

## 8. Insurance and Reinsurance contracts *continued*

### 8.5 Life risk – insurance contracts issued *continued*

**Reconciliation of the measurement components of insurance contract balances**

| R million<br>**31 December 2023** | Estimates of present value of future cash flows | Risk adjustment for non-financial risk | CSM | Total |
|---|---|---|---|---|
| Opening insurance contract assets | (385) | 31 | 138 | (216) |
| Opening insurance contract liabilities | (445) | 242 | 728 | 525 |
| NET OPENING BALANCE | (830) | 273 | 866 | 309 |
| **Changes that relate to current services** | 23 | (13) | (81) | (71) |
| CSM recognised for services provided | – | – | (81) | (81) |
| Change in risk adjustment for non-financial risk for risk expired | – | (13) | – | (13) |
| Experience adjustments not related to future service | 23 | – | – | 23 |
| **Changes that relate to future services** | (81) | (11) | 108 | 16 |
| Contracts initially recognised in the year | (145) | 43 | 126 | 24 |
| Changes in estimates that adjust the CSM | 49 | (31) | (18) | – |
| Changes in estimates that relate to losses and reversal of losses on onerous contracts | 15 | (23) | – | (8) |
| **Changes that relate to past services** | (21) | (8) | – | (29) |
| Changes in estimates in LIC fulfilment cash flows | 24 | 3 | – | 27 |
| Experience adjustments in claims and other insurance service expenses in LIC | (45) | (11) | – | (56) |
| TOTAL INSURANCE SERVICE RESULT | (79) | (32) | 27 | (84) |
| **Insurance Finance Income or Expense** | | | | |
| The effect of and changes in time of time value of money and financial risk | (10) | 48 | 36 | 74 |
| TOTAL INSURANCE FINANCE INCOME OR EXPENSE | (10) | 48 | 36 | 74 |
| TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS | (89) | 16 | 63 | (10) |
| **Cash flows** | | | | |
| Premiums received | 528 | – | – | 528 |
| Claims and other insurance service expenses paid | (272) | – | – | (272) |
| Insurance acquisition cash flows | (135) | – | – | (135) |
| TOTAL CASH FLOWS | 121 | – | – | 121 |
| NET CLOSING BALANCE | (798) | 289 | 929 | 420 |
| Closing Insurance contract assets | (398) | 33 | 136 | (229) |
| Closing Insurance contract liabilities | (400) | 256 | 793 | 649 |
| NET CLOSING BALANCE | (798) | 289 | 929 | 420 |

## 8. Insurance and Reinsurance contracts *continued*

### 8.5 Life risk – insurance contracts issued *continued*

**Reconciliation of the measurement components of insurance contract balances** *continued*

| R million<br>**30 June 2023** | Estimates of present value of future cash flows | Risk adjustment for non-financial risk | CSM | Total |
|---|---|---|---|---|
| Opening insurance contract assets | (262) | 25 | 92 | (145) |
| Opening insurance contract liabilities | (515) | 224 | 729 | 438 |
| NET OPENING BALANCE | (777) | 249 | 821 | 293 |
| **Changes that relate to current services** | (64) | (34) | (148) | (246) |
| CSM recognised for services provided | – | – | (148) | (148) |
| Change in risk adjustment for non-financial risk for risk expired | – | (34) | – | (34) |
| Experience adjustments not related to future service | (64) | – | – | (64) |
| **Changes that relate to future services** | (36) | 61 | 125 | 150 |
| Contracts initially recognised in the year | (142) | 75 | 211 | 144 |
| Changes in estimates that adjust the CSM | 104 | (18) | (86) | – |
| Changes in estimates that relate to losses and reversal of losses on onerous contracts | 2 | 4 | – | 6 |
| **Changes that relate to past services** | (21) | (11) | – | (32) |
| Changes in estimates in LIC fulfilment cash flows | 17 | 2 | – | 19 |
| Experience adjustments in claims and other insurance service expenses in LIC | (38) | (13) | – | (51) |
| TOTAL INSURANCE SERVICE RESULT | (121) | 16 | (23) | (128) |
| **Insurance Finance Income or Expense** | | | | |
| The effect of and changes in time of time value of money and financial risk | (96) | 8 | 68 | (20) |
| TOTAL INSURANCE FINANCE INCOME OR EXPENSE | (96) | 8 | 68 | (20) |
| TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS | (217) | 24 | 45 | (148) |
| **Cash flows** | | | | |
| Premiums received | 941 | – | – | 941 |
| Claims and other insurance service expenses paid | (435) | – | – | (435) |
| Insurance acquisition cash flows | (342) | – | – | (342) |
| TOTAL CASH FLOWS | 164 | – | – | 164 |
| NET CLOSING BALANCE | (830) | 273 | 866 | 309 |
| Closing Insurance contract assets | (385) | 31 | 138 | (216) |
| Closing Insurance contract liabilities | (445) | 242 | 728 | 525 |
| NET CLOSING BALANCE | (830) | 273 | 866 | 309 |

Notes to the consolidated annual financial statements *continued*

## 8. Insurance and Reinsurance contracts *continued*

### 8.6 Life risk – Reinsurance contracts held

**Reconciliation of the Movement in Carrying Amounts – By Remaining Coverage Component and Incurred Claims Component for reinsurance – GMM**

| R million<br>31 December 2023 | Remaining coverage component<br>Excluding loss-recovery component | Remaining coverage component<br>Loss-recovery component | Incurred claims component | Total |
|---|---|---|---|---|
| Opening reinsurance contract assets | (128) | 143 | 53 | 68 |
| Opening reinsurance contract liabilities | (8) | 1 | 1 | (6) |
| NET OPENING BALANCE | (136) | 144 | 54 | 62 |
| **Allocation of the premiums paid** | (66) | – | – | (66) |
| CSM recognised for services provided | 42 | – | – | 42 |
| Change in risk adjustment for non-financial risk for risk transferred | (4) | – | – | (4) |
| Expected recoveries of incurred claims and other insurance service expense | (103) | – | – | (103) |
| Experience adjustment not related to future service | (1) | – | – | (1) |
| **Amounts Recovered from Reinsurance** | | | | |
| Recoveries of incurred claims and other insurance service expense | – | (6) | 100 | 94 |
| Changes related to past service (changes related to incurred claims component) | – | – | (19) | (19) |
| **Changes that relate to future service** | – | 2 | – | 2 |
| Recoveries of losses on onerous underlying contracts on initial recognition | – | 8 | – | 8 |
| Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement | – | (6) | – | (6) |
| TOTAL AMOUNTS RECOVERED FROM REINSURANCE | – | (4) | 81 | 77 |
| TOTAL NET EXPENSES FROM REINSURANCE | (66) | (4) | 81 | 11 |
| **Insurance Finance Income or Expense** | | | | |
| The effect of and changes in time of time value of money and financial risk | 21 | 6 | 9 | 36 |
| TOTAL INSURANCE FINANCE INCOME OR EXPENSE | 21 | 6 | 9 | 36 |
| TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS | (45) | 2 | 90 | 47 |
| **Cash flows** | | | | |
| Premiums paid | 85 | – | – | 85 |
| Amounts recovered | – | – | (109) | (109) |
| TOTAL CASH FLOWS | 85 | – | (109) | (24) |
| NET CLOSING BALANCE | (96) | 146 | 35 | 85 |
| Closing reinsurance contract assets | (89) | 145 | 34 | 90 |
| Closing reinsurance contract liabilities | (7) | 1 | 1 | (5) |
| NET CLOSING BALANCE | (96) | 146 | 35 | 85 |

# Notes to the consolidated annual financial statements *continued*

## 8. Insurance and Reinsurance contracts *continued*

### 8.6 Life risk – Reinsurance contracts held *continued*

**Reconciliation of the Movement in Carrying Amounts – By Remaining Coverage Component and Incurred Claims Component for reinsurance – GMM** *continued*

| R million<br>**30 June 2023** | Remaining coverage component: Excluding loss-recovery component | Remaining coverage component: Loss-recovery component | Incurred claims component | Total |
|---|---|---|---|---|
| Opening reinsurance contract assets | (86) | 107 | 36 | 57 |
| Opening reinsurance contract liabilities | (2) | – | 1 | (1) |
| **NET OPENING BALANCE** | (88) | 107 | 37 | 56 |
| **Allocation of the premiums paid** | (147) | – | – | (147) |
| CSM recognised for services provided | 55 | – | – | 55 |
| Change in risk adjustment for non-financial risk for risk transferred | (5) | – | – | (5) |
| Expected recoveries of incurred claims and other insurance service expense | (190) | – | – | (190) |
| Experience adjustment not related to future service | (7) | – | – | (7) |
| **Amounts Recovered from Reinsurance** | | | | |
| Recoveries of incurred claims and other insurance service expense | – | (14) | 170 | 156 |
| Changes related to past service (changes related to incurred claims component) | – | – | (16) | (16) |
| **Changes that relate to future service** | – | 42 | – | 42 |
| Recoveries of losses on onerous underlying contracts on initial recognition | – | 33 | – | 33 |
| Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement | – | 9 | – | 9 |
| **TOTAL AMOUNTS RECOVERED FROM REINSURANCE** | – | 28 | 154 | 182 |
| **TOTAL NET EXPENSES FROM REINSURANCE** | (147) | 28 | 154 | 35 |
| **Insurance Finance Income or Expense** | | | | |
| The effect of and changes in time of time value of money and financial risk | (34) | 9 | 13 | (12) |
| **TOTAL INSURANCE FINANCE INCOME OR EXPENSE** | (34) | 9 | 13 | (12) |
| **TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS** | (181) | 37 | 167 | 23 |
| **Cash flows** | | | | |
| Premiums paid | 133 | – | – | 133 |
| Amounts recovered | – | – | (150) | (150) |
| **TOTAL CASH FLOWS** | 133 | – | (150) | (17) |
| **NET CLOSING BALANCE** | (136) | 144 | 54 | 62 |
| Closing reinsurance contract assets | (128) | 143 | 53 | 68 |
| Closing reinsurance contract liabilities | (8) | 1 | 1 | (6) |
| **NET CLOSING BALANCE** | (136) | 144 | 54 | 62 |

Notes to the consolidated annual financial statements *continued*

## 8. Insurance and Reinsurance contracts *continued*

### 8.6 Life risk – Reinsurance contracts held *continued*

**Reconciliation of the measurement components of reinsurance contract balances – GMM**

| R million<br>**31 December 2023** | **Estimates of present value of future cash flows** | **Risk adjustment for non-financial risk** | **CSM** | **Total** |
|---|---|---|---|---|
| Opening reinsurance contract assets | 426 | 77 | (435) | 68 |
| Opening reinsurance contract liabilities | (3) | 2 | (5) | (6) |
| NET OPENING BALANCE | 423 | 79 | (440) | 62 |
| **Changes that relate to current services** | (10) | (3) | 42 | 29 |
| CSM recognised for services received | – | – | 42 | 42 |
| Change in risk adjustment for non-financial risk for risk expired | – | (3) | – | (3) |
| Experience adjustments not related to future service | (10) | – | – | (10) |
| **Changes that relate to future services** | 109 | 10 | (116) | 3 |
| Contracts initially recognised in the year | 71 | 4 | (67) | 8 |
| Changes in estimates that adjust the CSM | 36 | 11 | (47) | – |
| Changes in estimates that adjust recoveries of losses on onerous underlying contracts | 2 | (5) | – | (3) |
| Changes in recoveries of losses on onerous underlying contracts that adjust the CSM | – | – | (2) | (2) |
| **Changes that relate to past services** | (16) | (5) | – | (21) |
| Changes in fulfilment cash flows re asset for incurred claims | 9 | – | – | 9 |
| Experience adjustments in claims and other insurance service expenses in asset for incurred claims | (25) | (5) | – | (30) |
| TOTAL NET EXPENSES FROM REINSURANCE | 83 | 2 | (74) | 11 |
| **Insurance Finance Income or Expense** | | | | |
| The effect of and changes in time of time value of money and financial risk | 43 | 11 | (18) | 36 |
| TOTAL INSURANCE FINANCE INCOME OR EXPENSE | 43 | 11 | (18) | 36 |
| TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS | 126 | 13 | (92) | 47 |
| **Cash flows** | | | | |
| Premiums received | 85 | – | – | 85 |
| Amounts recovered | (109) | – | – | (109) |
| TOTAL CASH FLOWS | (24) | – | – | (24) |
| NET CLOSING BALANCE | 525 | 92 | (532) | 85 |
| Closing Reinsurance contract assets | 522 | 90 | (522) | 90 |
| Closing reinsurance contract liabilities | 3 | 2 | (10) | (5) |
| NET CLOSING BALANCE | 525 | 92 | (532) | 85 |

Notes to the consolidated annual financial statements *continued*

# 8. Insurance and Reinsurance contracts *continued*

## 8.6 Life risk – Reinsurance contracts held *continued*

### Reconciliation of the measurement components of reinsurance contract balances – GMM *continued*

| R million<br>**30 June 2023** | Estimates of present value of future cash flows | Risk adjustment for non-financial risk | CSM | Total |
|---|---|---|---|---|
| Opening reinsurance contract assets | 196 | 57 | (196) | 57 |
| Opening reinsurance contract liabilities | 1 | 1 | (3) | (1) |
| NET OPENING BALANCE | 197 | 58 | (199) | 56 |
| **Changes that relate to current services** | (39) | (7) | 55 | 9 |
| CSM recognised for services received | – | – | 55 | 55 |
| Change in risk adjustment for non-financial risk for risk expired | – | (7) | – | (7) |
| Experience adjustments not related to future service | (39) | – | – | (39) |
| **Changes that relate to future services** | 293 | 31 | (281) | 43 |
| Contracts initially recognised in the year | 41 | 8 | (15) | 34 |
| Changes in estimates that adjust the CSM | 253 | 22 | (275) | – |
| Changes in estimates that adjust recoveries of losses on onerous underlying contracts | (1) | 1 | – | – |
| Changes in recoveries of losses on onerous underlying contracts that adjust the CSM | – | – | 9 | 9 |
| **Changes that relate to past services** | (11) | (6) | – | (17) |
| Changes in fulfilment cash flows re asset for incurred claims | 8 | (3) | – | 5 |
| Experience adjustments in claims and other insurance service expenses in asset for incurred claims | (19) | (3) | – | (22) |
| TOTAL NET EXPENSES FROM REINSURANCE | 243 | 18 | (226) | 35 |
| **Insurance Finance Income or Expense** | | | | |
| The effect of and changes in time of time value of money and financial risk | – | 3 | (15) | (12) |
| TOTAL INSURANCE FINANCE INCOME OR EXPENSE | – | 3 | (15) | (12) |
| TOTAL CHANGES IN THE STATEMENT OF PROFIT OR LOSS | 243 | 21 | (241) | 23 |
| **Cash flows** | | | | |
| Premiums received | 133 | – | – | 133 |
| Amounts recovered | (150) | – | – | (150) |
| TOTAL CASH FLOWS | (17) | – | – | (17) |
| NET CLOSING BALANCE | 423 | 79 | (440) | 62 |
| Closing Reinsurance contract assets | 426 | 77 | (435) | 68 |
| Closing reinsurance contract liabilities | (3) | 2 | (5) | (6) |
| NET CLOSING BALANCE | 423 | 79 | (440) | 62 |

## 9. Life Risk - Expected recognition of CSM

An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table:

| **31 December 2023** | **Total** | **Less than 1 year** | **1 to 2 years** | **2 to 3 years** | **3 to 4 years** | **4 to 5 years** | **5 to 10 years** | **More than 10 years** |
|---|---|---|---|---|---|---|---|---|
| Insurance contracts issued | **929** | **147** | **124** | **105** | **89** | **75** | **228** | **161** |
| Reinsurance contracts held | **532** | **79** | **67** | **59** | **50** | **43** | **133** | **101** |
| TOTAL | **1 461** | **226** | **191** | **164** | **139** | **118** | **361** | **262** |

| **30 June 2023** | Total | Less than 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | 5 to 10 years | More than 10 years |
|---|---|---|---|---|---|---|---|---|
| Insurance contracts issued | 866 | 136 | 112 | 94 | 79 | 67 | 205 | 173 |
| Reinsurance contracts held | 440 | 49 | 42 | 37 | 32 | 28 | 90 | 162 |
| TOTAL | 1 306 | 185 | 154 | 131 | 111 | 95 | 295 | 335 |

The following table represents a reconciliation of the opening to closing of the net CSM balance for the period under review:

| R million | **31 December 2023** | 30 June 2023 |
|---|---|---|
| **Opening CSM** | **1 306** | 1 020 |
| **Statement of financial position movement** | | |
| New business | **193** | 227 |
| Method and non-economic assumptions | **27** | 165 |
| – In-force business | **(44)** | 33 |
| – New business | **71** | 132 |
| **Statement of profit and loss movement** | | |
| Unwind of discount rate | **54** | 82 |
| – In-force business | **49** | 73 |
| – New business | **5** | 9 |
| **Reversal of loss component** | **1** | 12 |
| – In-force business | **1** | 4 |
| – New business | **–** | 8 |
| **Closing balance before CSM amortisation** | **1 581** | 1 506 |
| – In-force business | **1 312** | 1 130 |
| – New business | **269** | 376 |
| **CSM amortisation** | **(120)** | (200) |
| – In-force business | **(107)** | (175) |
| – New business | **(13)** | (25) |
| CLOSING CSM | **1 461** | 1 306 |

Notes to the consolidated annual financial statements *continued*

## 10. Effective interest

OGL's effective interest in the group entities is different from the actual holdings as a result of shares held by consolidated share incentive trusts.

The effective interest held by OGL can be compared to the actual interest in the statutory issued share capital of the companies as follows:

| | **As at 31 December 2023** | | As at 31 December 2022 | |
|---|---|---|---|---|
| | **Effective %** | **Actual %** | Effective % | Actual % |
| OUTsurance | **91.5** | **89.8** | 91.2 | 89.7 |
| RMI Investment Managers | **100.0** | **100.0** | 100.0 | 100.0 |
| Merchant Capital | **21.2** | **21.2** | 21.2 | 21.2 |
| Entersekt | **14.9** | **14.9** | 25.8 | 25.8 |
| Guidepost | **45.5** | **45.5** | 45.5 | 45.5 |
| Prodigy Finance | **10.9** | **10.9** | 12.2 | 12.2 |

The Group's interests in Entersekt and Prodigy Finance are treated as financial assets at fair value through other comprehensive income, as the size of these shareholdings do not enable the Group to exercise significant influence, which is the criterion for classifying an investment as an investment in associate.

## 11. Restatement of comparatives in the consolidated statement of cash flows

| R million | Amount as previously reported | Amount as restated | Difference |
|---|---|---|---|
| **31 December 2022** | | | |
| **Consolidated statement of cash flows** | | | |
| Cash generated from operations | 1 853 | 1 822 | (31) |
| Interest income | 340 | 81 | (259) |
| Dividends received | 53 | 32 | (21) |
| Cashflows on assets backing policyholder liabilities | (166) | (128) | 38 |
| Purchase of financial assets | (8 997) | (8 798) | 199 |
| **EFFECT ON CASH GENERATED FROM OPERATING ACTIVITIES** | | | (74) |
| Dividends paid on preference shares in issue | (74) | – | 74 |
| **EFFECT ON CASH OUTFLOW FROM FINANCING ACTIVITIES** | | | 74 |

### Explanation for the restatement of the consolidated statement of cash flows for the six months ended 31 December 2022

For the six months ended 31 December 2022, interest and dividends received that was non-cash in nature were removed from the face of the consolidated statement of cash flows in line with the requirements of IAS 7. Dividends paid on preference shares in issue relating to profit-sharing arrangements were reclassified from financing activities to operating activities.

## 12. Events after the reporting period

### OUTvest Proprietary Limited (OUTvest) and its subsidiary OUTvest Nominees RF Proprietary Limited (OUTvest Nominees)

At 30 June 2023, management committed to a plan to sell its 100% share in OUTvest and OUTvest Nominees and classified these investments as held for sale accordingly. OUTvest and OUTvest Nominees were sold with an effective date of 1 February 2024. The financial effects of the transaction have not been brought into account at 31 December 2023 as it is a non-adjusting event.

### RMI Investment Managers, excluding the Group's investment in PolarStar Management

On 23 January 2024, the Competition Tribunal of South Africa approved the transaction whereby the Group will sell its interest in RMI Investment Managers, excluding the Group's investment in PolarStar Management, to Momentum Metropolitan Holdings Limited. It is expected that the transaction will be concluded by the end of March 2024. These assets have been classified as held for sale in the results for the six months ended 31 December 2023. The financial effects of the transaction have not been brought into account in the 31 December 2023 results as it is a non-adjusting event.

# Appendix – IFRS 17 material judgements and accounting policies

## 1. Material judgements

This note provides an overview of the areas that involve a higher degree of judgement or complexity on the adoption and implementation of IFRS 17.

### 1.1. Fulfilment cash flows (FCF)

#### 1.1.1. Directly attributable

IFRS 17 requires an entity to include a portion of its overhead costs that are directly attributable to fulfilling the obligations under the insurance contract, in the fulfilment cash flows of the liability. The Group leveraged off its current methodology and processes to evaluate expenses and allocate all expenses as either directly attributable or non-attributable depending on each expense cost centre.

In the instances, where the costs within a cost centre were deemed to not be attributable, the cost centre is classified as non-attributable. Once the costs have been allocated as attributable, they are allocated to a risk code using an activity-based costing methodology.

#### 1.1.2. Contracts measured under the GMM

OUTsurance Life applies the GMM model for life insurance contracts.

The Group uses the following non-financial assumptions: lapses, expenses, retrenchment rates, morbidity rates, mortality rates and disability rates in its estimation of future cash flows. The best estimate assumptions in respect of dread disease & disability, mortality and retrenchment rates were set taking into consideration the rates provided by the reinsurers, actual past experience and modifications for expected future trends. The Group uses consistent assumptions to measure insurance contracts and reinsurance contracts held. These rates have been reviewed and approved by the Head of Actuarial Function. All adjustments to future assumptions will adjust the CSM.

#### 1.1.3. Contracts measured under the PAA

The Group's non-life insurance operations apply the PAA model.

To estimate the future claims cash flows within the boundary of the contract for contracts measured under the PAA, the Group uses the following methodologies to determine the ultimate value of the liability for incurred claims:

- Development Factor Method (DFM);
- Cape Cod Method (CC);
- Bornhuetter-Ferguson Method (BF);
- Expected Loss ratio;
- System case estimates; and
- Payment Per Claim Incurred (PPCI).

Each method attempts to predict the progression of claims incurred and/or reported through a combination of various development factors, loss ratios and dependency factors. The method chosen depends on the materiality and data credibility of various cash flows. When determining the various cash flows of the calculation it is assumed at a high level that past claims development can be used as a reasonable guide for future expected claim development. In all cases judgement is applied to appropriately allow for expected future experience.

The future expense cash flows are split between the allocated loss adjustment expenses (ALAE) and the unallocated loss adjustment expenses (ULAE). The ALAE reserve relates to costs directly attributable to claims. These are loaded on claims explicitly and included in the analysis of claims data. The ULAE reserve relates to overhead costs directly attributable to claims management and is allowed for by expressing total claims-related management expenses as a proportion of gross claims paid, for the 12 months preceding the calibration date. This assumption is then applied to the current liability for incurred claims.

The OUTbonus liability makes use of a probability adjustment which is calibrated using the long-term average ratio of the ultimate OUTbonus cost to OUTbonus accrual. This probability adjustment is then applied to the total OUTbonus accrued liability at the reporting date.

# 1. Material judgements *continued*

## 1.1. Fulfilment cash flows *continued*

### 1.1.4. Discount rate

#### 1.1.4.1. Contracts measured under the GMM

The discount rate is determined using the bottom-up approach as the cash flows do not vary based on the underlying items. Under this approach, the JSE bond and swap curve are used as the risk-free rate. The discount curve is constructed from a combination of the swap and bond curve which reflects the underlying interest rate of the hedging instruments used in the asset liability matching. Additionally, non-recurring bonus cash flows at all durations make use of the swap curve and recurring bonus cash flows at all durations make use of the bond curve.

By calculating the weighted average of the two curves according to the magnitude of the various types of future expected cash flows of the contracts, the aforementioned curves are aggregated to form a single locked-in yield curve for each group of contracts. By doing so, the present value of the cash flows calculated using the single yield curve is equivalent to what would be obtained by applying each curve individually to the relevant cash flows at the corresponding points in time. The relevant spot rates are subjected to the weighting to generate the new single yield curve.

For direct insurance contracts and reinsurance contract held, no illiquidity premium is added as there are no surrender values or exit penalties included in the insurance contract or reinsurance contract held.

#### 1.1.4.2. Contracts measured under the PAA

The Group has long tail claim components and chose to discount the LIC for claims that are expected to be settled within 1 year from the date the claim was incurred, rather than utilising the practical expedient available. As there are no referenced asset portfolio's backing the LIC because of the volatility and uncertainty of claims on short-term insurance contracts, it was deemed more appropriate to use the bottom-up approach.

Under this approach, a risk-free bond yield curve was used. No illiquidity premium was added to the discount rate as there is no penalty or surrender value required to exit the insurance contract.

## 1.2. Profitability groupings.

### 1.2.1. Contracts measured under the GMM

OUTsurance Life applies both a qualitative and quantitative assessment to determine the profitability groupings. The quantitative approach supports the qualitative assessment and is based on a projected cash flow stress calibration methodology. Based on the outcome of the stress tests, the contract is grouped as insurance contracts that are onerous at initial recognition, insurance contracts that have no possibility of becoming onerous, and the remainder of the contracts.

### 1.2.2. Contracts measured under the PAA

Contracts measured under the PAA are assumed to be profitable unless facts and circumstances suggest otherwise. Management monitors profitability by tracking the combined ratio of the portfolio over a period and considers pricing adequacy to determine if a risk class is onerous.

The combined ratio is calculated as the total insurance service expense divided by insurance revenue. (Refer to note 2.11.2 for the definition of insurance service expenses).

For the Group, a portfolio for contracts measured under the PAA will be mostly aligned to the classes used for regulatory risk reporting. Where applicable the risk classes are split by distribution channel to ensure the portfolio is homogeneous in nature. Additionally, this division facilitates the build for the segmental classification for the purpose of financial statement disclosure.

# Appendix – IFRS 17 material judgements and accounting policies *continued*

## 1. Material judgements *continued*

### 1.3. Unit of account

The Group has determined that the unit of account is not the insurance policy per policyholder but rather the separate risk insured in the contract. This is based on the substance of the insurance policy, which can contain several insured risks.

In concluding that the unit of account is the risk being insured, management considered the following to determine that the risks are not interdependent, do not lapse together, and are priced and sold separately:

- Each risk is priced separately. The premium is determined by assessing the duration of the policyholder at inception of the contract and the risk covered. The premium is then determined separately for each risk.
- The Group has a sophisticated underwriting model. This model considers factors of the policyholder and the risk ensuring each risk is underwritten and monitored separately.
- The cancellation of one risk by the policyholder does not affect the continuation of cover of other risks covered by the policy.
- Renewals are done at a risk level.

### 1.4. Treatment of the OUTbonus under PAA

The Group awards an OUTbonus to all policyholders who remain claim free for a specified period of time. The OUTbonus is forfeited with cancellation of the insurance policy and highly interrelated to the host contract. Given that the OUTbonus is largely dependent on the claim's behaviour of the policyholder, it's accounted for under the LIC as an unsettled claim as it relates to insurance contract services already provided.

The OUTbonus is forfeited when the underlying insurance contract is cancelled, and thus it does not serve to extend the contract boundary of the underlying contract given that the contract can be cancelled or repriced with a month's notice. Consequently, the OUTbonus liability is limited to the same boundary as the underlying contract, which is one month. If the policyholder does not claim, the contractual obligation created by the OUTbonus results in a liability which accrues monthly and accumulates over the period.

### 1.5. Risk adjustment

#### 1.5.1. Contracts measured under the GMM

For life risk contracts, a risk quantification has been conducted by leveraging off the regulatory regime's Financial Soundness Standards for Insurers in order to facilitate the calculation of the Risk Adjustment. The Life Underwriting component of the Solvency Capital Requirement is utilised and scaled down to the chosen confidence interval assuming a normal distribution. A confidence level ranging between 75% and 80%, depending on each underlying portfolio, was deemed appropriate after considering historical variances of actual liabilities when compared to expected liabilities.

#### 1.5.2. Contracts measured under the PAA

For the personal, business and CTP products, the risk adjustment is also a Value at Risk (VaR) approach on the distribution of the relevant LIC.

In the LIC, a reserve risk volatility factor is calculated for main major risk classes by leveraging off methods described in the regulatory framework. The standardised reserve risk volatility factors, as specified in the regulatory framework, are applied to smaller classes. The reserve risk volatility factors represent fluctuations in the timing and amount of claims settlements.

For the OUTbonus liability, the risk adjustment is calibrated by using the Mack Bootstrapping approach on the OUTbonus liability ratio.

A confidence level ranging between 75% and 85%, depending on each underlying portfolio, is deemed appropriate. New risks may require a larger confidence interval until stable claims experience is obtained.

## 1. Material judgements *continued*

### 1.6. Coverage units (only applicable to GMM)

Coverage units are defined as the quantity of insurance contract services provided by the contracts in the group determined by considering the quantity of benefits provided under the contract and its expected coverage period. The principals used to determine OUTsurance Life's coverage unit calculation methodology encapsulates the following:

- The maximum amount of benefits the insurer stands ready to provide the insured at any claims event throughout the coverage period.
- Adjusting the maximum amounts payable to reflect the time value of money at the locked-in discount rate.
- Adjusting the maximum amounts payable to reflect the expected coverage duration.

### 1.7. Reinsurance contracts held

Coverage units that represent the amount of coverage ceded to the reinsurer are calculated separately and used to release the contractual service margin recognised on the reinsurance contracts held. The judgement used to determine the coverage unit methodology for reinsurance contracts held are:

- The maximum amount of coverage ceded to the reinsurer.
- Adjusting the maximum amounts payable to reflect the time value of money at the locked-in discount rate.
- Adjusting the maximum amounts payable to reflect the expected coverage duration.

## 2. Summary of material accounting policies

The accounting policies are consistent with those published as part of the annual financial statements for the year ended 30 June 2023 except for the adoption of IFRS 17 which is included below.

Summary of measurement approaches:

| Contracts | Measurement approach |
|---|---|
| **Non-life insurance contracts** | |
| Personal, Commercial and CTP (South Africa, Australia and Ireland) | PAA |
| **Non-life reinsurance contracts held** | |
| Reinsurance contracts supporting PAA contracts | PAA |
| **Life insurance contracts** | |
| Life contracts – risk business | GMM |
| **Life reinsurance contracts held** | |
| Reinsurance contracts supporting GMM contracts | GMM |

### 2.1. Definition and classification

The Group applies IFRS 17: Insurance Contract to insurance contracts it issues, and reinsurance contracts held. Contracts under which the Group accepts significant insurance risk from another party (the policyholder), by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts. The Group considers all substantive rights and obligations, including those that arise from law or regulation, in making this assessment on a contract-by-contract basis.

The Group cedes risk to reinsurers in the normal course of business to limit its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Reinsurance expenses and reinsurance income are presented separately from the gross amounts. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts.

The classification of contracts is performed at the inception of each contract. The classification of the contract at inception remains the classification of the contract for the remainder of its lifetime unless the terms of the contract change to such an extent that it necessitates a change in classification.

## 2. Summary of material accounting policies *continued*

### 2.2. Separation and combination of insurance contracts

An insurance contract may contain several components. These components should be separated if they are distinct and can be offered separately from the insurance contract, for example, embedded derivatives, investment components and a promise to deliver goods or services. Once all components have been separated, IFRS 17 is applied to the contract. An insurance contract can also contain more than one insurance cover in one contract. Please refer to note 1.2.2 for the judgement regarding the unit of account.

A contract can contain a non-distinct investment component. This is the amount an insurance contract requires the Group to repay a policyholder in all circumstances regardless of whether an insured event occurs. The Group has assessed all contracts and has determined that there are no contracts with distinct investment components.

The Group does not issue any individual contracts of which the combination of two or more contracts, creates insurance risk or to the contrary eliminates the transfer of insurance risk.

### 2.3. Level of aggregation

The Group identified several portfolios of insurance contracts. A portfolio is defined as insurance contracts with similar risks that are managed together.

- For contracts measured under the PAA, a portfolio equals the risk class and where applicable, overlaid with distribution channel.
- For contracts measured under the GMM, a portfolio equals products as there is a unique one-to-one relationship between the products and their respective underlying risks. These products are priced for separately and experience analysis is performed on a product level.

Portfolios are divided into groups, as follows:

- Insurance contracts that are onerous at initial recognition.
- Insurance contracts that have no significant possibility of becoming onerous.
- All remaining insurance contracts.

These groups are determined at inception and not subsequently reassessed. The groups do not contain contracts issued more than one year apart.

The Group has reasonable and supportable information to conclude the grouping of insurance contracts. Please refer to note 1.2.1 for the significant judgements relating to the grouping of contracts measured under the GMM approach and note 1.2.2 for the unit of account for contracts measured under the PAA methodology.

#### 2.3.1. Reinsurance contracts held

Portfolios of reinsurance contracts held are assessed based on contracts that are collectively managed and hold similar risks. The aggregation assessment is performed independently from the portfolios of the underlying insurance contracts. In the context of similar risks, it is assumed that a "risk" is an event that would cause loss on the contract. The collective management of risks considers reinsurance structures and regulatory implications. Portfolios do not include reinsurance contracts issued more than one year apart.

Applying the group requirements, reinsurance contracts held are grouped within annual cohorts into three groups:

- contracts for which there is a net gain at initial recognition;
- contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
- any remaining contracts.

### 2.4. Recognition

The Group recognises a group of issued insurance contracts at the earliest of the beginning of the coverage period, the date the first payment is due or when the group becomes onerous. For the majority of contracts issued, the date of payment received and the date coverage starts are the same.

# 2. Summary of material accounting policies *continued*

## 2.4. Recognition *continued*

### 2.4.1. Reinsurance contracts held

The Group recognises a group of reinsurance contracts at the earliest of the beginning of the coverage period and the date the entity recognises an onerous underlying insurance contract if the reinsurance contract held was entered into at or before that date. However, the Group recognises proportional reinsurance contracts at the later of the beginning of the coverage period and the initial recognition of the underlying contracts.

The Group only recognises insurance contracts and reinsurance contracts held that meet the recognition criteria during the reporting period. Any insurance contracts or reinsurance contracts held entered into after the reporting period are recognised in the period they were entered into.

## 2.5. Contract boundary

Cash flows are within the boundary of contract if they arise from the substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or the Group has a substantive obligation to provide the policyholder with services. A substantive obligation ends when the Group has the practical ability to reassess the risk of the policyholder and reprice for that risk or the practical ability to reassess the risk of the portfolio and reprice for the risk. In assessing the ability to reprice for risk, only insurance and financial risk is assessed. Risk relating to non-financial risk is not included.

The Group does not include cash flows outside the insurance contract boundary. These cash flows are recognised when those contracts meet the recognition criteria.

***Contracts measured under the GMM***

OUTsurance Life's products have a contract boundary of whole of life.

***Contracts measured under the PAA***

Insurance contracts are measured using the PAA if at the inception of the group, the Group reasonably expects that such simplification would produce a measurement of the liability for remaining coverage (LRC) for the group that would not differ materially from using the GMM or the coverage period of each insurance contract in the group of reinsurance contracts held is one year or less. The Group's short-term products have contract boundaries that range from one to 12 months, given policy wording and "practical abilities" provided through the right to cancel and amend the excess. Please refer to note 2.9.1 for contracts that were assessed using the eligibility criteria.

### 2.5.1. Reinsurance contracts held

Cash flows are within the boundary of a reinsurance contract held if they arise from the substantive right and obligations that exist during the reporting period in which the Group is compelled to pay the reinsurer premiums or to receive services. A substantive obligation ends when there is a unilateral right to cancel the reinsurance contract.

***Reinsurance contracts measured under the GMM***

Reinsurance contracts associated with OUTsurance Life's contract boundary are aligned with the underlying insurance contracts and measured using the GMM. Each reinsurance contract relates to a specific product therefore, each portfolio will consist of a specific product. This is consistent with the portfolios defined for the underlying contracts. OUTsurance Life will group reinsurance contracts of the same portfolio recognised within the same cohort into the same six monthly cohort.

***Reinsurance contracts measured under the PAA***

Reinsurance contracts are measured using the PAA if, at the group's inception, the coverage period of each insurance contract in the group of reinsurance contracts held is one year or less, or if the asset for remaining coverage (ARC) for a group of reinsurance contracts using the GMM does not differ materially from the ARC of a group of reinsurance contracts held using the PAA.

The coverage period for loss occurring contracts was determined to be twelve months and the PAA was applied. Where the coverage period for risk attaching reinsurance contracts is more than twelve months due to the underlying contracts having a twelve month contract boundary, the Group used the eligibility criteria to measure the reinsurance contracts using the PAA. Please refer to below for the eligibility criteria.

## 2. Summary of material accounting policies *continued*

### 2.6. Measurement

#### 2.6.1. Fulfilment cash flows

The fulfilment cash flows are the current estimates of future cash flows within the boundary of the contract. It includes premiums, claims, OUTbonuses and expenses adjusted for timing and uncertainty. The fulfilment cash flows include a risk adjustment for non-financial risks.

The estimates of future cash flows are probability weighted, best estimate cash flows that are directly attributable to the insurance contract. These estimates are current, explicit and unbiased, and represent the perspective of the Group. Please refer to note 1.1.2 for the judgements regarding the assumptions included.

Cash flows within the boundary of the contract are those that relate directly to the fulfilment of an insurance contract. These include, but are not limited to, premiums, claims, acquisition costs, claims handling costs and a proportion of overheads directly related to fulfilling the obligations under the insurance contract. Costs that are not directly attributable are recognised in other marketing and administration expenses.

Acquisition costs are defined as cash flows arising from the cost of selling, underwriting and starting a group of issued insurance contracts and are directly attributable. These costs are not determined for individual insurance contracts but rather at a portfolio level and then allocated to a group of contracts. In addition, acquisition costs are included in the assessment of onerous contracts.

The estimates of future cash flows are adjusted for the time value of money and the financial risks associated with those cash flows. Please refer to note 1.1.4 for the determination of the discount rate.

The risk adjustment adjusts the best estimate of the present value of the future cash flows to reflect the compensation that the entity requires for bearing the uncertainty regarding the amount and timing of the cash flows. Please refer to note 1.5 for the judgement regarding the risk adjustment. Risk of the Groups' non-performance is not included in the measurement of insurance contracts issued.

##### 2.6.1.1. Reinsurance contracts held

For reinsurance contracts held, the reinsurance risk of non-performance is included in the probability weighted estimates of the present value of future cash flows. The risk of non-performance is calculated based on the best estimate of the credit loss and other disputes of the reinsurer.

The risk adjustment for non-financial risk for reinsurance contracts held represents the amount of risk being transferred by the Group to the reinsurer. The Group determines the risk adjustment for reinsurance contracts held by using the same method as used for the underlying insurance contracts.

### 2.7. Onerous contracts

The Group recognises an onerous contract if at initial recognition, the total of insurance acquisition cash flows and the fulfilment cash flows, result in a net cash outflow.

Onerous contracts are recognised as a loss component of the LRC. The Group allocates the expected incurred claims and expenses, the change in the risk adjustment and the insurance finance expenses between loss component and LRC, on a systematic basis (please refer to 2.8.4, 2.8.5, 2.9.7 and 2.9.8).

In the event of unfavourable changes in the fulfilment cash flows allocated to the group as a result of changes in estimates of future cash flows to future services, a group of contracts can become onerous on subsequent measurement. Please refer below for the measurement of the loss component.

### 2.8. Contracts measured under the GMM

The GMM is the default model prescribed in IFRS 17. The Group applies the GMM to all its long-term contracts written and reinsurance contracts held in OUTsurance Life.

#### 2.8.1. Initial recognition

On initial recognition the group of insurance contracts is measured as the fulfilment cash flows which consist of the best estimate probability weighted future cash flows adjusted for the time value of money and a risk adjustment for non-financial risk and a CSM.

The CSM equals the unearned profit over the coverage period. At initial recognition the CSM is the balance of the fulfilment cash flows plus the risk adjustment and cannot be negative. If the CSM is negative, an onerous contract exists. The loss from the onerous contract is immediately accounted for in profit or loss and a loss component is established in the LRC.

# 2. Summary of material accounting policies *continued*

## 2.8. Contracts measured under the GMM *continued*

### 2.8.1. Initial recognition *continued*

#### 2.8.1.1. Reinsurance contracts held

On initial recognition of reinsurance contracts held, the CSM is measured at an amount equal to the sum of:

- the fulfilment cash flows;
- any income recognised in profit or loss when the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to an existing group.

However, if the net cost of purchasing reinsurance coverage relates to past events, the Group recognises such costs immediately in profit or loss.

### 2.8.2. Subsequent measurement

The insurance asset or liability is subsequently measured as the sum of the LRC and the LIC. The LRC consists of fulfilment cash flows relating to future services and the CSM. The LIC consists of the fulfilment cash flows related to past services.

At the end of each reporting period, the fulfilment cash flows are adjusted to reflect the current assumptions using the current estimates of the amount, timing and uncertainty of future cash flows and discount rates.

Changes relating to the LRC are recognised in the statement of profit or loss as follows:

- Insurance revenue relating to services provided in the period.
- Insurance expenses relating to losses and reversal of losses on onerous contracts.
- Insurance finance income and expenses for the effect of time value of money.

Changes relating to the LIC recognised in the statement of profit or loss:

- Insurance service expenses relating to claims and expenses incurred in the financial year as well as any changes in the fulfilment cash flows relating to insured claims and cash flows.
- Insurance finance income and expenses for the effect of time value of money.

The carrying amount of the CSM is also adjusted subsequently. The CSM at the end of each reporting period is calculated as follows:

- The opening balance,
- plus newly issued contracts added to the group in the reporting period,
- plus interest accreted at the locked in rate,
- plus/minus the changes in fulfilment cash flows that relate to future periods and experience adjustments,
- minus the release of the CSM to profit or loss (based on coverage units).

The CSM is only adjusted for changes in future services. Changes to current cash flows i.e. premiums, expenses and claims, risk adjustments and assumptions does not change the CSM.

#### 2.8.2.1. Reinsurance contracts held

On subsequent recognition, the CSM is measured as:

- The opening balance,
- plus/minus the effect of new contracts added to the group,
- interest accretion,
- income recognised in profit or loss due to onerous underlying contracts,
- reversals of the loss recovery component,
- changes to the fulfilment cash flows to the extent that the change relates to future services (unless the change does not change the CSM as it relates to the group of underlying insurance contracts),
- the release of the CSM based on the coverage period.

## 2. Summary of material accounting policies *continued*

### 2.8. Contracts measured under the GMM *continued*

#### 2.8.3. Interest accretion on the CSM

Interest is accreted on the carrying amount of the CSM and loss component at the start of the reporting period using the locked-in rate linked to the underlying insurance contract groups.

OUTsurance Life utilises six monthly cohorts and as a result, the rate used is a weighted average based on the size of the cash flows over the lifetime of the contracts belonging to the particular six-monthly cohort.

Please refer to note 1.1.4.1 for the determination of the discount rate.

#### 2.8.4. Loss component on onerous contracts

The CSM and loss component balance is influenced by the fulfilment cash flows associated with future services, which are subsequently affected by changes in non-financial assumptions. Adverse changes in the cash flows associated with the provision of future services may result in an increase of the loss component. Consequently, an additional loss equal to this increase is recognised as insurance service expense for onerous contracts.

For profitable contracts, the unfavourable changes result in a decrease in the CSM balance. It is possible for a CSM balance to decrease to zero. Any further decreases would result in a loss component being established and a loss being immediately recognised as an insurance service expense.

Favourable changes in the fulfilment cash flows relating to future services decreases the loss component. The CSM is re-established if the loss component is completely reversed and any further decreases would result in a CSM being established. The notional loss component balance is to be completely reversed by the end of the coverage period of a particular group by allocating subsequent changes in fulfilment cash flows of the LRC between the loss component of the LRC and the LRC excluding the loss component on a systematic basis, using a systematic allocation ratio (SAR). The SAR is calculated by taking the loss component balance at the start of the financial period and dividing it with the risk adjustment at the start of the financial period summed with the present value of all future cash-outflows excluding acquisition cash flows and premiums.

The impact of interest accretion, release of the expected fulfilment cash-flows and non-financial assumption updates on contracts with a loss component is systematically allocated between the loss component of the LRC and the LRC excluding the loss component. At the end of the coverage period, the loss component is zero.

Interest is accreted on the LRC using the current rate. The calculation of the SAR involves dividing the loss component balance at the commencement of the financial period by the sum of the risk adjustment and the present value of all future cash-outflows, excluding acquisition cash flows.

Interest is accreted on the loss component of the LRC using the locked-in rate. Premium and acquisition cash flows do not impact the interest accreted on the notional loss component balance.

#### 2.8.5. Loss recovery component on onerous contracts

The Group establishes (or adjusts) a loss-recovery component for each group of reinsurance contracts held depicting the recovery of losses made on onerous contracts. The loss-recovery component is presented in profit or loss as a gain depicting the amount of losses the Group recovers on onerous contracts by having reinsurance arrangements in place.

The Group calculates a recovery ratio linked to each group of reinsurance contracts held which is used to determine the amount of losses to be recovered from onerous contracts.

The Group does not have any reinsurance contracts held measured under the GMM with underlying contracts measured under the PAA.

## 2. Summary of material accounting policies *continued*

### 2.9. Contracts measured under the PAA

The PAA is applied to insurance/reinsurance contracts with a coverage period of one year or less at inception, or where the LRC measured under the PAA is not materially different from the LRC under the GMM.

At initial recognition, the LRC is calculated as the premiums received less acquisition cash flows paid (where acquisition cost is deferred, please refer to note 2.9.2). Subsequently, the liability is released over the passage of time.

***Reinsurance contracts held***

On initial recognition, the asset for remaining coverage (ARC) for the reinsurance contract held is measured as the amount of premiums paid (including ceding commissions not dependent on claims) plus broker fees paid. Subsequently, the ARC is increased for ceding premiums and broker fees paid during the period and decreased for ceding premiums and broker fees recognised as reinsurance expenses for the period. Reinsurance asset for incurred claims (AIC) is adjusted for time value of money.

Broker fees are recognised over the coverage period of the contract.

Reinsurance commission that is not contingent on claims, is accounted for as deduction of reinsurance premiums. The component of reinsurance commission that is contingent on claims is netted off against reinsurance income.

#### 2.9.1. PAA eligibility

Where the coverage period is greater than one year, the contract needs to be assessed to determine if the PAA can be applied. For the Group, the majority of contracts have a coverage period ranging from 31 days to one year, however, some contracts have a coverage period of more than one year. For these contracts, the PAA eligibility is assessed as follows:

- The average absolute difference between evaluating a single risk contract using the LRC calculated using the GMM and the LRC using the current PAA approach adopted is assessed.
- The PAA approach is adopted where the absolute difference of this assessment is immaterial based on pre-determined materiality thresholds.

The Group continues to assess the contracts to ensure that pre-determined materiality levels are not breached.

***Reinsurance contracts held***

Where the coverage period is greater than one year, the reinsurance contract held needs to be assessed to determine if the PAA can be used. For the Group, the excess of loss contracts have a coverage period of one year, however for the quota share and risk attaching reinsurance contracts held, the coverage period is more than one year. As a result, both the quota share and risk attaching contracts are assessed for PAA eligibility as follows:

- The potential difference in the asset for remaining coverage is assessed between evaluating the quota share and risk attaching contracts using the GMM and the current PAA approach adopted.
- The PAA approach is adopted where the absolute difference of this assessment is immaterial based on pre-determined materiality thresholds.
- The Group continues to assess the contracts to ensure that pre-determined materiality levels are not breached.

#### 2.9.2. Acquisition cash flows

The PAA allows a policy choice regarding whether to expense or defer insurance acquisition cash flows. The Group has elected to expense the insurance acquisition cash flows as incurred for contracts with a 31-day contract boundary and defer the acquisition costs over the coverage period for contracts with a contract boundary of between 31 days and 12-months. This policy choice was elected to recognise it in line with the revenue being earned under these contracts. For contracts with a 12-month boundary, acquisition costs are amortised systematically in line with revenue recognition of the underlying insurance contract as the acquisition cost does not relate to future contracts.

The Group does not have any insurance acquisition assets i.e. insurance acquisition cash flows that are recognised before the group of insurance contracts is recognised.

## 2. Summary of material accounting policies *continued*

### 2.9. Contracts measured under the PAA *continued*

#### 2.9.3. Subsequent Measurement

At the end of the reporting period, the insurance liability/asset is measured as the sum of the LRC and the LIC, which consists of the fulfilment cash flows relating to past services allocated to the group.

The carrying amount of the LRC is measured as follows:

- Opening balance:
- plus the premiums received,
- less the insurance acquisition cash flows, where deferred,
- plus any amounts relating to the amortisation of any deferred acquisition cash flows,
- plus any adjustment to a financing component,
- minus insurance revenue for the period.

The LRC is not adjusted for time value of money.

Where the Group has pre-recognition cash flows for contracts, these cash flows relate to the group of insurance contracts and are included in the carrying amount of insurance contracts. The pre-recognition cash flows are paid before the start of the contract, however they do not affect the coverage period of the contract. The pre-recognition cash flows do increase the contract boundary, however, the effect of time value of money is insignificant.

The Group recognises the following changes in the carrying amount of the LIC in the statement of profit or loss:

- Insurance service expenses relating to claims and expenses incurred in the financial year as well as any changes in the fulfilment cash flows relating to insured claims and cash flows.
- Insurance finance income and expenses relating to the effect of time value of money.

#### 2.9.4. Discount rate

Contracts measured under the PAA have long-tail claim components (of more than one year) and therefore the LIC is discounted for all outstanding claims. Please refer to note 1.1.4.2 for the calculation of the discount rate.

#### 2.9.5. Risk adjustment

The risk adjustment adjusts the estimate of the present value of the future cash flows to reflect the compensation that the entity requires for bearing the uncertainty regarding the amount and timing of the cash flows. Please refer to note 1.5.2 for the judgements made in the calculation of the risk adjustment. The risk of the Groups' non-performance is not included in the measurement of insurance contracts issued.

#### 2.9.6. Onerous contracts

The Group assumes that no contracts measured under the PAA are onerous at initial recognition, unless facts and circumstances indicate otherwise.

The following facts and circumstances may indicate that risk groups are onerous:

- A new risk class that is yet to achieve scale.
- A premium-weighted combined ratio of more than 100% based on three years of data.
- Pricing and repricing strategies for marginal cases.

The Group recognises an onerous contract if, at initial recognition, the total of insurance acquisition cash flows and the fulfilment cash flows result in a net cash outflow.

If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts are onerous, the Group calculates the difference between the current LRC and the LRC using the GMM. The GMM is measured as the probability weighted cash flow adjusted for time value of money and risk adjustment for non-financial risk.

If the LRC calculated under the GMM exceeds the LRC calculated using the PAA, the Group recognises a loss in profit or loss and increases the LRC.

## 2. Summary of material accounting policies *continued*

### 2.9. Contracts measured under the PAA *continued*

#### 2.9.7. Loss component

The release of fulfilment cash-flows on contracts with a loss component is systematically allocated between the loss component of the LRC and the LRC excluding the loss component. As the LRC is released/earned, the loss component is also released. At the end of the coverage period, the loss component is zero.

Given that the LRC measured under the PAA is not discounted, the loss component is also not discounted.

#### 2.9.8. Loss recovery component

The Group establishes (or adjusts) a loss-recovery component for each group of reinsurance contracts held depicting the recovery of losses made on onerous contracts. The loss-recovery component adjusts the reinsurance asset for remaining coverage and is presented in profit or loss as a gain depicting the amount of losses the Group recovers on onerous contracts by having reinsurance arrangements in place.

The Group calculates a recovery ratio linked to each group of reinsurance contracts held which is used to determine the amount of losses to be recovered from onerous contracts.

The Group does not have any reinsurance contracts held measured under the PAA with underlying contracts measured under the GMM.

### 2.10. Modification and derecognition

If the terms of an insurance contract are modified, the Group derecognises the original contract and recognises a new contract only if the modified contract:

- would have been excluded from the scope of IFRS 17 at inception of the contract.
- would have resulted in the Group separating components from the insurance contracts.
- would have had a different contract boundary.
- would have been included in a different group of contracts.

If the modification meets none of the above conditions, the Group treats the modification as a change in fulfilment cash flow.

When the Group recognises the new contract, it is recognised from the date of modification and re-assessed for classification, separation, aggregation and measurement.

A contract is derecognised when the contract is extinguished or the above conditions are met. When the Group derecognises an insurance contract from a group of contracts, measured under the GMM, the fulfilment cash flows allocated to the group are adjusted to eliminate the present value of the future cash flows and risk adjustment for non-financial risk relating to the derecognised contract. The CSM is adjusted for the change in the fulfilment cash flows and the change in the number of coverage units. The number of coverage units are adjusted to reflect the coverage units derecognised.

When the Group derecognises an insurance contract from a group of contracts, measured under the PAA, the changes in the LRC are recognised in profit or loss.

### 2.11. Presentation and disclosure in the statement of profit or loss and other comprehensive income

#### 2.11.1. Insurance revenue

**2.11.1.1. PAA**

The Group recognises insurance revenue by allocating expected premiums based on the passage of time over the coverage period of a group of contracts. Expected premiums excludes any amounts that relates to transaction-based taxes collected on behalf of third parties (such as premium taxes, value added taxes and goods and services taxes) and expected credit risk.

## 2. Summary of material accounting policies *continued*

### 2.11. Presentation and disclosure in the statement of profit or loss and other comprehensive income *continued*

#### 2.11.1. Insurance revenue *continued*

**2.11.1.2. GMM model**

The Group determines revenue as the sum of the changes in the LRC in the period that relate to the services for which the Group expects to receive consideration.

The changes consist of:

- insurance service expenses incurred in the period (measured at the amounts expected at the beginning of the period), excluding:
  - amounts allocated to the loss component of the LRC,
  - amounts that relate to transaction-based taxes collected on behalf of third parties (such as premium taxes, value added taxes and goods and services taxes), and
  - insurance acquisition expenses.
- the change in the risk adjustment for non-financial risk, excluding:
  - changes that adjust the CSM because they relate to future services and amounts allocated to the loss component of the LRC.
- the amount of the contractual service margin recognised in profit or loss in the period.

The portion of premiums that relate to the recovery of insurance acquisition cash flows is calculated by using the relevant coverage units as determined for the purpose of amortising the CSM to calculate the portion of premiums that relate to the recovery of the acquisition cost.

#### 2.11.2. Insurance service expense

Insurance service expenses consist of incurred claims, other incurred insurance service expenses, amortisation of insurance acquisition costs, changes to past services and changes to future services (i.e. changes in the fulfillment cash flows that results in onerous contracts or the reversal of losses).

For contracts measured under the GMM, amortisation of the acquisition cash flows reflected in insurance service expense equals the portion recognised as revenue.

For contract measured under the PAA, where acquisition cost have been deferred, acquisition cash flows are amortised in line with revenue recognition.

#### 2.11.3. Reinsurance

The Group has elected to present income and expenses from reinsurers as a net amount on the statement of comprehensive income.

**2.11.3.1. Reinsurance expense**

For reinsurance contracts measured under the PAA, the Group recognises reinsurance premiums paid based on the passage of time over the coverage period of the group of contracts.

For reinsurance contracts measured under the GMM, the Group recognises reinsurance expenses as changes in the asset for remaining coverage. Reinsurance expense consists of:

- the portion of ceding premium,
- other directly attributable expenses excluding amounts allocated to the loss recovery component.
- changes in the risk adjustment.
- CSM release.
- Experience adjustments that relates to past premiums paid.

## 2. Summary of material accounting policies *continued*

### 2.11. Presentation and disclosure in the statement of profit or loss and other comprehensive income *continued*

#### 2.11.3. Reinsurance *continued*

**2.11.3.2. Amounts recovered from reinsurers**

Amounts recovered from reinsurers consists of recoveries received on claims

- less commission contingent on claims
- less mandatory reinstatement premiums
- less loss recovery expenses.

#### 2.11.4. Insurance finance income and expenses

Insurance finance income and expenses consist of the following:

- Changes of time value of money on the fulfilment cash flows for contracts measured under the GMM.
- Effects of financial risk and the changes in financial risk.
- Effect of discounting on the LIC for contracts measured under the PAA.

The Group does not disaggregate the risk adjustment between insurance service expenses and insurance finance income and expenses.

The Group accounts for all insurance finance income and expenses (PAA and GMM) in profit or loss.

### 2.12. Other

At each reporting date, the Group disregards the treatment of estimates made in previous interim financial statements. At the financial year-end, the estimates are updated on a year-to-date basis. As a result, the treatment has been modified in the most recent reporting period compared to prior interim financial statements.

### 2.13. Transition

The Group has determined that it has reasonable and supportable information for all insurance contracts in force at the time of transition. Therefore, the Group transitioned all insurance contracts issued and reinsurance held using the full retrospective method. Accordingly, the Group classified and measured each group of insurance contracts as if IFRS 17 has always applied.

# Glossary

## Group companies

**OGL**
OUTsurance Group Limited (formerly Rand Merchant Investment Holdings Limited) is listed on the Johannesburg Securities Exchange (JSE).

**OHL**
OUTsurance Holdings Limited, the regulated insurance holding company.

**CTP**
Compulsory Third-Party insurance issued only in Australia.

## Accounting terminology

**Premium allocation approach (PAA)**
Simplified methodology to measure insurance contracts if certain criteria are met. The Group utilises this methodology to measure its property and casualty (short-term) insurance contracts.

**General measurement model (GMM)**
The default measurement model in IFRS 17 to measure insurance contracts. The Group utilised this measurement model to measure the insurance contracts issued by OUTsurance Life.

**Liability For Remaining Coverage (LRC)**
The Group's obligation to pay claims for insured events that have not yet occurred. It includes insurance service expenses for services not yet provided and amounts not included in the LIC.

**Liability for Incurred Claims (LIC)**
The Group's obligation to pay claims for an incurred insured event, incurred events incurred but not yet reported, other insurance service expenses and amounts not included in the Liability for remaining coverage (LRC).

**Asset for remaining coverage (ARC)**
The services the Group is entitled to receive from the reinsurer for in-force contracts in future periods.

**Asset for incurred claims (AIC)**
The reinsurance recoveries the Group is entitled to receive from the reinsurer for incurred insured events.

**Fulfilment Cash Flow (FCF)**
A probability weighted present value estimate of future cash in- and outflows that arises as the Group fulfils the insurance contract. It includes a risk adjustment for non-financial risks.

**Attributable expenses**
Expenses that are directly attributable to fulfilling the insurance contract.

**Non-attributable expenses**
Expenses that are not directly attributable to fulfilling the insurance contract.

**Insurance acquisition cash flows**
Cash flows that originate when selling, underwriting and starting a group of insurance contracts. These cash flows are directly attributable to the insurance contract.

**Risk adjustment for non-financial risk (RA)**
The compensation the Group requires to take on the insurance risk in the contract.

**Contractual service margin (CSM)**
The CSM represents the unearned profit in a group of contracts that is measured using the GMM. The CSM is a component of the LRC and is released as the insurance contract services are delivered.

**Insurance service expenses (ISE)**
ISE includes incurred claims and expenses, the change in insurance liability relating to past claims and expenses as well as losses and reversal of losses on groups of contracts.

**Weighted number of ordinary shares**
Weighted number of ordinary shares in issue during the reporting period.

## Regulatory terminology

**Covered business**
Business regulated by the Prudential Authority as long-term insurance business.

**Own funds**
The net asset value adjusted for regulatory remeasurement of assets and liabilities. Represents capital that qualifies for regulatory measurement.

**Solvency capital requirement (SCR)/ Required capital**
The amount of regulatory capital required as determined by the local regulatory authorities.

# Glossary *continued*

## Management performance indicators

### Annualised new business premium written
Annualised premium value of all new customer policies incepted during the period under review. This measure excludes the renewal of existing customer policies.

### Combined ratio
Net claims expense including insurance finance expense (IFE) plus operating expenses (which includes both the non-attributable expenses and attributable expenses) divided by net earned premium. The ratio includes the profit share distributions to FirstRand Limited.

### Cost-to-income ratio
Operating expenses (which includes both non-attributable and attributable expenses) divided by net earned premium. The ratio excludes the profit share distributions to FirstRand Limited.

### Net claims expense
Insurance service expense (which includes non-claims bonus cost) plus insurance finance expense less reinsurance recoveries.

### Net claims ratio
Net claims expense including insurance finance expense divided by net earned premium.

### Net earned premium (NEP)
Insurance revenue less reinsurance premiums.

### Normalised earnings
Normalised earnings adjustments are applied where the Group believes that certain transactions create a mismatch between the Group's accounting and economic performance. Normalised earnings is therefore considered to most accurately reflect the Group's economic performance.

### Normalised return on equity (ROE)
Normalised earnings divided by average normalised ordinary shareholders equity.

### Underwriting result
- Net earned premium
- less net claims expense
- add other income
- less marketing and administration expenses
- less profit share distribution.

## Embedded Value terminology

### Actuarial Practice Note (APN) 107
The guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa.

### Adjusted net worth (ANW)
Excess value of all assets attributed to covered business but not required to back the liabilities of covered business.

### Cost of capital (CoC)
The present value of the projected release of the required capital allowing for investment returns on the assets supporting the projected required capital.

### Embedded value (EV) of covered business
The present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. Consists of:
- Adjusted net worth
- plus the value of in-force covered business
- less the cost of non-hedgeable risk
- less the cost of capital.

### Free surplus
ANW less the required capital attributed to covered business.

### Present Value of in-force book (PVIF)
The present value of future shareholder cash flows projected to emerge from the assets backing liabilities of the in-force covered business.

### Present value of new business premiums
The discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business.

### Profitability of new covered business
Ratio of the net value of new business to present value of new business premiums (gross of reinsurance).

### Value of new business (VNB)
The present value of the expected after-tax shareholder cash flows arising at the point of sale in respect of new covered business contracts sold in the reporting period, less cost of capital relating to these new business contracts.

# Our corporate information

## OUTsurance Group Limited (OGL)
(formerly Rand Merchant Investment Holdings Limited (RMI))

| | |
|---|---|
| Registration number: | 2010/005770/06 |
| JSE ordinary share code: | OUT |
| ISIN code: | ZAE000314084 |

## Directors

| | |
|---|---|
| *Chairman:* | HL Bosman |
| *Lead Independent:* | K Pillay |
| *Independent:* | B Hanise, ET Moabi, GL Marx, JA Teeger, JE van Heerden, MM Mahlare, M Morobe, RSM Ndlovu, SV Naidoo |
| *Non-executive:* | A Kekana, JJ Durand, WT Roos |
| *Executive:* | MC Visser *(CEO)*, JH Hofmeyr *(CFO)* |
| *Alternates:* | F Knoetze, UH Lucht |

During the six months ended 31 December 2023, Messers, Hedding and Burger stepped down as directors.

## Secretary and registered office

JS Human

| | |
|---|---|
| *Physical address:* | 1241 Embankment Road, Zwartkop Ext 7, Centurion, South Africa, 0157 |
| *Postal address:* | PO Box 8443, Centurion, South Africa, 0046 |
| *Contact:* | investorrelations@out.co.za |
| *Web address:* | https://group.outsurance.co.za/ |

## Sponsor
(in terms of JSE Listings Requirements)

**Rand Merchant Bank**
(a division of FirstRand Bank Limited)

*Physical address:* 1 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196

## Transfer secretaries

**Computershare Investor Services Proprietary Limited**

| | |
|---|---|
| *Physical address:* | Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 |
| *Postal address:* | Private Bag X9000, Saxonwold, 2132 |
| *Telephone:* | +27 11 370 5000 |
| *Telefax:* | +27 11 688 5221 |

OUT SURANCE

www.outsurance.co.za