

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

Condensed preliminary group RESULTS
For the year ended 30 June 2017

Diluted headline earnings per share increased by 13% to 139.06 cents
Net insurance premiums increased by 8% to R1.9 billion
Return on average shareholders' interest of 53%
Dividends declared per share increased by 15% to 115.00 cents
Value of New Business of R527.18 million
Recurring Embedded Value Earnings of R939.01 million
Recurring Return on Embedded Value of 19.20%
Embedded Value per share of 1 746 cents

Comments

Introduction

The Board is pleased to report that Clientèle's operating results improved in the second half of the financial year with production in all traditional channels returning to expected levels. Withdrawals in the second half have improved, but as always remain a risk and thus a focus of attention.

The new agency distribution channel is growing in line with the business plan, which is very encouraging. The broker distribution channel, which was started in October 2016, has found traction but it is still in its infancy.

South Africa's economic environment remains very tough, particularly for Clientèle's customers, and this demands and gets much management time and energy.

Operating Results

Group Statement of Comprehensive Income

Net insurance premiums increased by 8% to R1.9 billion (2016: R1.7 billion), on the back of strong production in prior years and higher average premiums on new business, with a consequent diluted headline earnings per share increase of 13% over last year.

Net insurance benefits and claims of R359.5 million (2016: R325.8 million) were 10% higher than the previous year.

Investment returns of R86.5 million (2016: R65.1 million) were 33% higher than last year and include an amount of R18.4 million (2016: R nil) in respect of the fair value adjustment of African Bank (renamed Residual Debt Services) unsubordinated stub paper.

Headline earnings for the Group increased by 14% to R466.3 million (2016: R410.6 million) which has resulted in a return on average shareholders' interests of 53% (2016: 55%).

Group Embedded Value and Value of New Business

Although Group Embedded Value was negatively impacted by higher withdrawals during the year, this increased from R5.2 billion to R5.8 billion. Recurring Embedded Value Earnings ("REVE") were also impacted and reduced by 6% to R939.0 million (2016: R1 billion).

The Value of New Business ("VNB") was negatively impacted by lower than expected production in the first half of the year and by the higher withdrawals referred to above. This has resulted in a decrease in VNB of 20% to R527.2 million (2016: R660.3 million).

New business profit margins have consequently declined to 21.4% (2016: 26.5%).

The Group follows a conservative accounting practice of eliminating negative reserves. As acquisition costs are expensed upfront, the recovery of these costs and the profits are deferred over the policy life. The present value of this discretionary margin amounts to R3.1 billion (2016: R2.8 billion).

Segment Results

Clientèle Life - Long-term insurance

Clientèle Life's Long-term insurance segment remains the major contributor to the Group's performance. Clientèle Life's VNB of R408.8 million (2016: R519.6 million) decreased by 21% as a consequence of increased withdrawals (largely as a result of an increase in disputes). Nonetheless, Clientèle Life recorded REVE of R760.2 million (2016: R746.5 million) due to strong production in prior years and generated a 17% increase in net profit for the year to R404.4 million (2016: R344.2 million).

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

Clientèle Legal's VNB of R117.3 million (2016: R138.5 million) decreased by 15% and as a consequence of this and increased withdrawals (largely as a result of an increase in disputes) felt more acutely in the general insurance segment, Clientèle Legal recorded REVE of R141.6 million (2016: R232.4 million). Nonetheless, due to strong production in prior years, Clientèle Legal generated an 11% increase in net profit for the year to R61.8 million (2016: R55.6 million).

Outlook

The discussions with the Payments Association of South Africa, the Association for Savings and Investment and individual Banks concerning the increase in withdrawals due to the increase in debit order disputes by policyholders are ongoing with the intention of achieving an outcome which is in the best interests of policyholders and Clientèle.

Management's focus is currently directed at continuing the recent momentum built up in production, encouraging the growth of the new distribution channels, introducing new products and further improving withdrawals.

Dividend Declared

Notice is hereby given that the directors have declared a final gross dividend of 115.00 cents (2016: 100.00 cents) per share on 17 August 2017 for the year ended 30 June 2017.

The Board of Clientèle Limited confirms that the Group will satisfy the solvency and liquidity tests immediately after completion of the dividend distribution. The dividend will be subject to dividends tax. In accordance with the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves;
- The local dividends tax rate is 20% (twenty percent) (2016: 15% (fifteen percent));
- The gross local dividend amount is 115.00 cents (2016: 100.00 cents) per ordinary share for shareholders exempt from the dividends tax;
- The net local dividend amount is 92.00 cents (2016: 85.00 cents) per ordinary share for shareholders liable to pay the dividends tax;
- The local dividends tax amount is 23.00 cents (2016: 15.00 cents) per ordinary share for shareholders liable to pay the dividend withholding tax;
- Clientèle Limited currently has 334,003,379 (2016: 331,805,599) ordinary shares in issue;

Clientèle Limited's income tax reference number is 9465071166.

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

Last day to trade	Tuesday, 19 September 2017
Shares commence trading "ex" dividend	Wednesday, 20 September 2017
Record date	Friday, 22 September 2017
Payment date	Tuesday, 26 September 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 September 2017 and Friday, 22 September 2017, both days inclusive.

By order of the Board

G Q Routledge Chairman Johannesburg 17 August 2017	B W Reekie Managing Director
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Condensed Group Statement of Financial Position

(R'000's) Reviewed	Year ended 30 June	
	2017	2016
Assets		
Intangible assets	35,751	36,435
Property and equipment	46,518	47,509
Owner-occupied properties [^]	422,013	408,651
Deferred tax	42,817	45,666
Inventories	1,894	1,148
Reinsurance assets	2,504	2,789
Financial assets at fair value through profit or loss ^{***}	2,196,020	1,854,928
Financial assets at amortised cost [*]	288,627	264,023
Loans and receivables including insurance receivables	34,891	44,396
Current tax	990	1,459
Cash and cash equivalents	221,047	209,848
Total assets	3,293,072	2,916,852
Total equity and reserves	1,015,996	865,548
Liabilities		
Policyholder liabilities under insurance contracts	652,614	690,102
Financial liabilities at fair value through profit or loss - investment contracts ^{***}	1,159,676	909,819
Financial liabilities - Loans at amortised cost ^{**}	113,043	98,932
Employee benefits [#]	97,339	139,586
Deferred tax	43,855	38,977
Accruals and payables including insurance payables	210,180	168,469
Current tax	369	5,419
Total liabilities	2,277,076	2,051,304
Total equity and liabilities	3,293,072	2,916,852

[^] Owner-occupied properties are disclosed at level 3 in the fair value measurement hierarchy. An earnings yield valuation method was applied with capitalisation rates of between 8.25% and 9.00% (2016: 8.25% and 9.50%).

^{*} Zero coupon fixed deposits held in African Bank Limited have been classified as financial assets at amortised cost. The fair value approximates amortised cost.

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

^{***} The increase in "financial assets at fair value through profit or loss" and "financial liabilities at fair value through profit and loss - investment contracts" relates to increased production of single premium business during the year.

[#] The reduction in "Employee benefits" relates to a reduction in benefits in respect of the "medium term" and "goodwill" staff incentive schemes.

Condensed Group Statement of Comprehensive Income

(R'000's) Reviewed	Year ended 30 June		% Change
	2017	2016	
Revenue			
Insurance premium revenue	2,003,255	1,852,516	8
Reinsurance premiums	(130,690)	(126,525)	
Net insurance premiums	1,872,565	1,725,991	8
Other income	156,113	157,495	
Interest income	40,090	21,209	
Fair value adjustment to financial assets at fair value through profit or loss	136,881	120,916	
Net income	2,205,649	2,025,611	9
Net insurance benefits and claims	(359,470)	(325,777)	
Gross insurance benefits and claims	(460,145)	(425,313)	
Insurance claims recovered from reinsurers	100,675	99,536	
Decrease in policyholder liabilities under insurance contracts	37,488	8,780	
Decrease in reinsurance assets	(285)	(226)	
Fair value adjustment to financial liabilities at fair value through profit or loss	(99,346)	(90,401)	
Interest expense	(9,866)	(4,135)	
Reversal of impaired advances		12,349	
Operating expenses	(1,132,005)	(1,061,901)	7
Profit before tax	642,165	564,300	14
Tax	(175,468)	(149,579)	17
Net profit for the year	466,697	414,721	13
Attributable to:			
- Non-controlling interest - ordinary shareholders	199	4,235	
- Equity holders of the Group - ordinary shareholders	466,498	410,486	14
Profit for the year	466,697	414,721	13
Other comprehensive income:			
Gains on property revaluation#	8,475	8,727	
Income tax relating to gains on property revaluation#	(2,155)	(9,544)*	
Other comprehensive income for the year net of tax	6,320	(817)	
Total comprehensive Income for the year	473,017	413,904	14
Attributable to:			
- Non-controlling interest - ordinary shares	199	4,235	
- Equity holders of the Group	472,818	409,669	15

Items that cannot be recycled to profit or loss.

* The higher amount in 2016 was primarily in respect of the difference in accounting and tax treatment of the new office development.

Condensed Group Statement of Changes in Equity

(R'000's) Reviewed	Share capital	Share premium	Common control deficit	Sub-total	Retained earnings	SAR and* Bonus Right Schemes reserves	NDR: revaluation	Sub-total	Non-controlling interest	Total
Balance as at 1 July 2015	6,613	310,185	(220,273)	96,525	552,882	27,699	66,191	743,297	(3,102)	740,195
Ordinary dividends				-	(297,759)			(297,759)		(297,759)
Total comprehensive income	-	-	-	-	410,486	-	(817)	409,669	4,235	413,904
- Net profit for the year				-	410,486			410,486	4,235	414,721
- Other comprehensive income				-			(817)	(817)		(817)
Shares issued	23	18,690		18,713				18,713		18,713
SARs and Bonus Rights Schemes allocated				-		9,208		9,208		9,208
Transfer from shares issued				-	(10,330)	(8,383)		(18,713)		(18,713)
Balance as at 30 June 2016	6,636	328,875	(220,273)	115,238	655,279	28,524	65,374	864,415	1,133	865,548
Balance as at 1 July 2016	6,636	328,875	(220,273)	115,238	655,279	28,524	65,374	864,415	1,133	865,548
Ordinary dividends				-	(331,897)			(331,897)	(1,050)	(332,947)
Total comprehensive income	-	-	-	-	466,498	-	6,320	472,818	199	473,017
- Net profit for the year				-	466,498			466,498	199	466,697
- Other comprehensive income				-			6,320	6,320		6,320
Shares issued	44	37,013		37,057				37,057		37,057
SARs and Bonus Rights Schemes allocated				-		10,378		10,378		10,378
Transfer from shares issued				-	(19,448)	(17,609)		(37,057)		(37,057)
Balance as at 30 June 2017	6,680	365,888	(220,273)	152,295	770,432	21,293	71,694	1,015,714	282	1,015,996

* SAR Scheme - the Clientèle Limited Share Appreciation Rights Scheme.

* Bonus Rights Scheme - the Clientèle Limited Bonus Rights Scheme.

* 2.2 million (2016: 1.2 million) shares were issued in terms of the SAR and Bonus Rights Schemes.

Condensed Group Statement of Cash Flows

	Year ended 30 June	
(R'000's) Reviewed	2017	2016
Cash flows from operating activities	41,503	73,061
Profit from operations adjusted for non-cash items	632,279	645,910
Working capital changes	(29,753)	(51,906)
Separately disclosable items(1)	(96,040)	(99,959)
Increase/(Decrease)in financial liabilities(2)	150,511	(122,918)
Net (acquisition)/disposal of investments(3)	(204,210)	59,375
Interest received	80,023	63,421
Dividends received	16,017	36,538
Dividends paid	(332,846)	(297,713)
Tax paid	(174,478)	(159,687)
Cashflows from investing activities(4)	(34,549)	(146,854)
Cashflows from financing activities(5)	4,245	59,702
Net increase/(decrease) in cash and cash equivalents	11,199	(14,091)
Cash and cash equivalents at beginning of the year	209,848	223,939
Cash and cash equivalents at end of the year	221,047	209,848

1. Interest and dividends received.

2. Financial liabilities - investment contracts.

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

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

5. External funding for new office building development.

Condensed segment Information

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

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

Segment Assets and Liabilities

	Year ended 30 June	
(R'000's) Reviewed (2016 Restated)	2017	2016
Long-term Insurance	2,932,597	2,624,384
Short-term Insurance	251,861	216,278
Other	121,292	84,442
Inter segment	(12,678)	(8,252)
Total Group Assets	3,293,072	2,916,852
Long-term Insurance	2,225,884	1,993,868
Short-term Insurance	61,617	60,852
Other	2,253	4,836
Inter segment	(12,678)	(8,252)
Total Group Liabilities	2,277,076	2,051,304

Segment Statements of Comprehensive Income

(R'000's) Reviewed	Long-term insurance	Short-term insurance	Other	Inter segment	Total
30 June 2017					
Insurance premium revenue	1,651,594	351,661			2,003,255
Reinsurance premiums	(130,690)				(130,690)
Net insurance premiums	1,520,904	351,661	-	-	1,872,565
Other income	164,253	564	360,343	(369,047)	156,113
Interest income	37,234	1,262	1,594		40,090
Fair value adjustment to financial assets at fair value through profit and loss	123,375	10,250	3,256		136,881
Segment revenue	1,845,766	363,737	365,193	(369,047)	2,205,649
Segment expenses and claims	(1,290,946)	(278,681)	(6,200)	12,343	(1,563,484)
Net insurance benefits and claims	(319,313)	(40,157)			(359,470)
Decrease in policyholder liabilities under insurance contracts	36,130	1,358			37,488
Decrease in reinsurance assets	(285)				(285)
Fair value adjustment to financial liabilities at fair value through profit and loss	(99,346)				(99,346)
Interest expense	(9,866)				(9,866)
Operating Expenses	(898,266)	(239,882)	(6,200)	12,343	(1,132,005)
Profit before tax	554,820	85,056	358,993	(356,704)	642,165
Tax	(150,465)	(23,222)	(1,781)		(175,468)
Net profit for the year	404,355	61,834	357,212	(356,704)	466,697
Attributable to:					
Non-controlling interest - ordinary shareholders			199		199
Equity holders of the Group - ordinary shareholders	404,355	61,834	357,013	(356,704)	466,498

(R'000's) Reviewed	Long-term insurance	Short-term insurance	Other	Inter segment	Total
30 June 2016 (Restated)					
Insurance premium revenue	1,550,567	301,949			1,852,516
Reinsurance premiums	(126,525)				(126,525)
Net insurance premiums	1,424,042	301,949	-	-	1,725,991
Other income	156,196	498	315,034	(314,233)	157,495
Interest income	18,365	1,394	3,103	(1,653)	21,209
Fair value adjustment to financial assets at fair value through profit or loss	110,556	8,355	2,005		120,916
Segment revenue	1,709,159	312,196	320,142	(315,886)	2,025,611
Segment expenses and claims	(1,238,701)	(235,300)	4,703	7,987	(1,461,311)
Net insurance benefits and claims	(292,741)	(33,036)			(325,777)
Decrease/(increase) in policyholder liabilities under insurance contracts	10,314	(1,534)			8,780
Decrease in reinsurance assets	(226)				(226)
Fair value adjustment to financial liabilities at fair value through profit or loss	(90,401)				(90,401)
Interest expense	(4,052)		(1,736)	1,653	(4,135)
Reversal of impaired advances			12,349		12,349
Operating expenses	(861,595)	(200,730)	(5,910)	6,334	(1,061,901)
Profit before tax	470,458	76,896	324,845	(307,899)	564,300
Tax	(126,240)	(21,252)	(2,087)		(149,579)
Net profit for the year	344,218	55,644	322,758	(307,899)	414,721
Attributable to:					
Non-controlling interest - ordinary shareholders			4,235		4,235
Equity holders of the Group - ordinary shareholders	344,218	55,644	318,523	(307,899)	410,486

Notes to the Results

These condensed consolidated financial results for the year ended 30 June 2017 have been reviewed, in terms of International Standards on Review Engagements, (ISRE 2410), by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial results identified in the auditor's report.

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

Changes to the Board

Mr PG Nkadameng was appointed as a Director of Clientèle Limited on 1 March 2017.

Accounting Policies

Statement of compliance

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

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

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

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

Tax

	Year ended 30 June	
(R'000's) Reviewed	2017	2016
Current and deferred tax	(176,204)	(146,708)
Capital gains tax	1,065	(2,400)
Underprovision in prior years	(329)	(471)
Tax	(175,468)	(149,579)

The Individual Policyholder Fund has an estimated tax loss of R2.8 billion (2016: R2.8 billion).

Reconciliation of Net Profit to Headline Earnings

	Year ended 30 June		%
(R'000's) Reviewed	2017	2016	Change
Net profit for the year attributable to equity holders of the Group	466,498	410,486	14
(Less)/Add: (Profit)/loss of disposal of property and equipment	(207)	81	
Headline earnings for the year	466,291	410,567	14

Ratios per Share

	Year ended 30 June		%
(Cents) Reviewed	2017	2016	Change
Headline earnings per share	140.29	124.00	13
Diluted headline earnings per share	139.06	122.99	13
Earnings per share	140.35	123.98	13
Diluted earnings per share	139.12	122.97	13
Net asset value per share	304.19	260.86	17
Diluted net asset value per share	303.00	259.29	17
Dividends per share - paid	100.00	90.00	11
Dividends per share - declared	115.00	100.00	15
Ordinary shares in issue ('000)	334,003	331,806	
Weighted average ordinary shares ('000)	332,381	331,093	
Diluted weighted average ordinary shares ('000)	335,312	333,809	

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

The following table presents the Group's financial assets and liabilities that are measured at fair value through profit or loss at 30 June 2017:

(R'000's) Reviewed	Level 1	Level 2	Level 3	Total
Assets				
Listed equity securities	491,916			491,916
Unlisted equity securities		3,850		3,850
Promissory notes and fixed deposits		793,220	169,434	962,654
Funds on deposit		618,226		618,226
Fixed interest securities		45,316	4,013	49,329
Government and public authority bonds		70,045		70,045
Total assets	491,916	1,530,657	173,447	2,196,020
Liabilities				
Financial liabilities at fair value through profit of loss		990,242	169,434	1,159,676
Total Liabilities	-	990,242	169,434	1,159,676

Policyholders' linked exposure to African Bank Limited through investments in zero coupon fixed deposits of R169.4 million as at 30 June 2017 are disclosed at level 3 on the hierarchy as values are estimated indirectly using techniques and models. Key inputs include the zero coupon risk free yield curve.

Capital and Other Commitments

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

During the current financial year Clientèle Limited provided further financial assistance through the issuance of a guarantee in the amount of R223 million (with an exposure of R155 million) in respect of additional Ordinary Shares which YTI purchased.

Restatement of comparative segments results

The Group has incorporated the "Investment Contracts" segment into the "Long-term Insurance" segment and Clientèle Limited into the "other" segment to align with internal reporting practices.

The corresponding amounts have been restated accordingly.

Events after the Reporting Date

No material items to report after the reporting date.

Related Party Transactions

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

Group Embedded Value results

Group Embedded Value

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

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

The PVIF business is the present value of future after-tax profits arising from covered business in force as at 30 June 2017.

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

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

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

(R'000's) Unaudited	Year ended 30 June	
	2017	2016
Required capital	425,232	377,076
Free surplus	632,484	495,969
Adjusted Net Worth ("ANW") of covered business	1,057,716	873,045
CoC	(84,267)	(83,190)
PVIF	4,858,112	4,440,788
EV of covered business	5,831,561	5,230,643

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

Reconciliation of Total Equity to ANW

(R'000's) Unaudited	Year ended 30 June	
	2017	2016
Total equity and reserves per the Statement of Financial Position	1,015,996	865,548
Adjusted for deferred profits and impact of compulsory margins on investment business	29,326	11,820
Adjusted for minority interests	(282)	(1,133)
Adjusting subsidiaries to Net Asset Value	33,583	31,427
SAR and Bonus Rights Schemes adjustment	(20,907)	(34,617)
ANW	1,057,716	873,045

The CoC is the opportunity cost of having to hold the Required Capital of R425.2 million as at 30 June 2017 (30 June 2016: R377.1 million). The Required Capital has been set at the greater of the Statutory Termination Capital Adequacy Requirement and 1.25 times the Statutory Ordinary Capital Adequacy Requirement for the Life company plus the Required Statutory Capital for the Short-term company.

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

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

Clientèle Life's Statutory CAR cover ratio at 30 June 2017 was 2.43 times (30 June 2016: 2.35 times) on the statutory

valuation basis.

Clientèle General Insurance's Statutory CAR cover ratio at 30 June 2017 was 1.44 times (30 June 2016: 1.35 times) on the statutory valuation basis.

Value of New Business ("VNB")

(R'000's) Unaudited	Year ended 30 June	
	2017	2016
Total VNB	527,184	660,328
Present Value of New Business premiums	2,466,148	2,488,674
New Business profit margin	21.4%	26.5%

The VNB (excluding any allowance for the Management incentive schemes, which is shown as a separate component of EV Earnings), represents the present value of projected after-tax profits at the point of sale on new covered business commencing during the year ended 30 June 2017 less the CoC pertaining to this business.

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

Long-term Economic Assumptions

(%) Unaudited	Year ended 30 June	
	2017	2016
Risk discount rate	12.2	12.1
Non-unit investment return	8.7	8.6
Unit investment return	9.7	9.8
Expense inflation	6.1	7.1
Corporate tax	28.0	28.0

The risk discount rate ("RDR") has been determined using a top-down weighted average cost of capital approach, with the equity return calculated using Capital Asset Pricing Model ("CAPM") theory. In terms of current actuarial guidance, the RDR has been set as the risk free rate plus a beta multiplied by the assumed equity risk premium. It has been assumed that the equity risk premium (i.e. the long-term expected difference between equity returns and the risk free rate) is 3.5% (2016: 3.5%). The beta pertaining to the Clientèle share price is relatively low, which is partially a consequence of the relatively small free-float of shares. After consideration, the Board has decided to continue to use a more conservative beta of 1, as opposed to its actual beta of 0.1333 in the calculation of the RDR. The Board draws the reader's attention to the RDR sensitivity analysis in the table below which allows for sensitivity comparisons using various alternative RDR's.

The resulting RDR utilised for the South African business as at 30 June 2017 was 12.2% (30 June 2016: 12.1%).

RDR Sensitivities

(R'000's) Unaudited	EV	VNB
RDR 10.2%	6,673,123	666,784
RDR 11.2%	6,212,644	589,983
RDR 12.1% (as at June 2016)	5,861,327	534,179
RDR 12.2% (as at June 2017)	5,831,561	527,184
RDR 13.2%	5,503,661	465,022
RDR 14.2%	5,222,306	415,064

EV per Share

(Cents) Unaudited	Year ended 30 June	
	2017	2016
EV per share	1,745.96	1,576.42
Diluted EV per share	1,739.15	1,563.62

Segment Information

The EV can be split between segments as follows:

(R'000's) Unaudited	ANW	PVIF	CoC	EV
30 June 2017				
Long-term insurance	774,375	3,963,841	(57,575)	4,680,641
Short-term insurance	187,134	887,721	(26,692)	1,048,163
Other	96,207	6,550	-	102,757
Total	1,057,716	4,858,112	(84,267)	5,831,561
30 June 2016 (Restated)				
Long-term insurance	664,848	3,623,279	(54,990)	4,233,137
Short-term insurance	152,490	810,689	(28,200)	934,979
Other	55,707	6,820	-	62,527
Total	873,045	4,440,788	(83,190)	5,230,643

The VNB can be split between segments as follows:

(R'000's) Unaudited (2016 Restated)	Year ended 30 June	
	2017	2016
Long-term insurance	408,763	519,649
Short-term insurance	117,321	138,545
Other	1,100	2,134
Total	527,184	660,328

Embedded Value Earnings Analysis

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

(R'000's) Unaudited	Year ended 30 June 2017				Year ended 30 June 2016
	ANW	PVIF	CoC	EV	EV
Closing EV	1,057,716	4,858,112	(84,267)	5,831,561	5,230,643
Opening EV	873,045	4,440,788	(83,190)	5,230,643	4,601,300
Dividends	(331,897)			(331,897)	(297,759)
Adjusted EV at the beginning of the year	541,148	4,440,788	(83 190)	4,898,746	4,303,541
EV earnings	516,568	417,324	(1,077)	932,815	927,102
Impact of once-off economic assumption changes	(1,340)	6,703	833	6,196	75,384
Recurring EV earnings	515,228	424,027	(244)	939,011	1,002,486
Recurring Return on EV				19.2%	23.3%
Return on EV				19.0%	21.5%
Components of EV earnings					
VNB	(371,368)	910,991	(12,439)	527,184	660,328
Expected return on covered business	-	543,786	9,824	553,610	498,133
Expected profit transfer	838,432	(838,432)	-	-	-
Withdrawal and unpaid premium experience variance	(12,477)	(83,317)	(3,664)	(99,458)	(50,393)
Changes in withdrawals & other decrement assumptions	10,498	(120,114)	(13,110)	(122,726)	-*
Other changes in non-economic assumptions and modelling	1,040	16,987	19,289	37,316	(132,366)
Claims and reinsurance experience variance	2,920	-	-	2,920	(5,499)
Sundry experience variance	(1,177)	982	-	(195)	5,076
Expected return on ANW	59,945	-	-	59,945	47,899
SAR and Bonus Rights Schemes	24,087	-	-	24,087	28,286
Goodwill and Medium-term incentive schemes	(13,251)	466	-	(12,785)	(20,730)
Benefit enhancements	(156)	(7,322)	(144)	(7,622)	-
EV operating return	538,493	424,027	(244)	962,276	1,030,734
Investment return variances on ANW	(23,265)	-	-	(23,265)	(28,248)
Recurring EV earnings	515,228	424,027	(244)	939,011	1,002,486
Effect of economic assumption changes	1,340	(6,703)	(833)	(6,196)	(75,384)
EV earnings	516,568	417,324	(1,077)	932,815	927,102

* This item was not split out in the 2016 results.

Registered office: Clientèle Office Park, Cnr Rivonia and Alon Roads, Morningside,
Johannesburg 2196, South Africa
PO Box 1316, Rivonia 2128, South Africa

Transfer secretaries: Computershare Investor Services Proprietary Limited, First Floor, Rosebank Towers, 15 Biermann Avenue,
Rosebank, 2196 South Africa
PO Box 61051, Marshalltown 2107, South Africa

Sponsor: PricewaterhouseCoopers Corporate Finance Proprietary Limited

Directors: GQ Routledge BA LLB (Chairman); BW Reekie BSc(Hons), FASSA* (Managing Director);
ADT Enthoven BA, PhD (Political Science); B Frodsham BCom*; PR Gwangwa BProc LLB, LLM;
IB Hume CA(SA), ACMA*; BY Mkhondo BCom, MBA; D Molefe MCom, CA(SA); BA Stott CA(SA);
RD Williams BSc(Hons), FASSA, PG Nkadimeng BSc Comp Scie & E Eng. (* Executive Director)

Company secretary: W van Zyl CA(SA)

Date of release: 21 August 2017