

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023
Headline earnings per share decreased by 35%* to 46.94 cents
Annualised Return on Average shareholders' interest of 9%
Recurring Embedded Value Earnings of R362 million
Annualised Recurring Return on Embedded Value 13.2%
Value of New Business of R125 million
* Compared to restated 31 December 2022 comparatives

INTRODUCTION

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

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

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

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

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

OPERATING RESULTS

Group Statement of Comprehensive Income

Insurance revenue is 5% lower than the previous period at R972.5 million (2022: R1 billion) mainly as a result of a lower release of the Contractual Service Margin ("CSM") and Risk Adjustment ("RA").

Higher than expected withdrawal experience in the 2023 financial year ending 30 June 2023 resulted in a downward adjustment to the CSM compared to the restated prior period.

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

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

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

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

Group Embedded Value and Value of New Business

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

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

The VNB for the period on a risk discount rate ("RDR") of 13.6% p.a. amounted to R125.3 million (2022: R195.1 million on a RDR of 13.7% p.a.) a decrease of 36% over the comparative period. The prior period VNB benefited from large volumes of single premium and Funeral Parlour business compared to the current

period. In addition, the VNB for the current period is not directly comparable to the VNB for the comparative period as a consequence of reinstatements having been removed from the VNB calculation (and treated as a reduction of withdrawals as reported in the 2023 annual financial results). This has a negative impact of R40 million to R50 million in the current period.

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

OUTLOOK

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

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

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

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

EVENTS AFTER THE REPORTING PERIOD

Following the end of the reporting period, the Group announced on 6 March 2024 the appointment of Ms. Angela Colleen Pillay as its new Group Financial Director, effective from 1 April 2024, and looks forward to her valuable contribution to the Group.

The Board wishes to express its sincere gratitude to Ms. Tiffany-Ann Boesch, the Group Chief Operating Officer, for having fulfilled the role of Interim Group Chief Financial Officer from 8 November 2023 until the effective date of Ms. Pillay's appointment as Group Financial Director and applaud her on having successfully managed and overseen the financial affairs of the Group during this period while still managing her critical role as Group Chief Operating Officer.

By order of the Board

GQ Routledge
Chairman
Johannesburg

BW Reekie
Managing Director

25 March 2024

	Six months ended 31 December			Year ended 30 June
	2023	2022 Restated	% change	2023 Pre-IFRS17
Risk Discount Rate (%)	13.6	13.7	-0.1	14.1
Net profit for the period (R'000)	159,067	244,774	-35	490,059
Headline earnings per share for the period (cents)	46.94	72.59	-35	145.44
Earnings per share for the period (cents)	46.94	72.59	-35	145.44
Embedded Value at the end of the period (R'000)	5,953,842	5,837,646	+2	5,887,476
Embedded Value per share (cents)	1,775.56	1,740.91	+2	1,755.77
Annualised Recurring return on Embedded Value (%)	13.2	13.5	-0.3	12.3
Value of New Business for the period (R'000)	125,279	195,107	-36	244,873
Recurring Embedded Value Earnings for the period (R'000)	361,754	366,131	-1	663,091

SHORT-FORM ANNOUNCEMENT DATED 25 MARCH 2024

This short-form announcement is the responsibility of the Directors and is only a summary of the information in the full announcement and does not contain the full or complete details. The full announcement can be found through this link: <https://senspdf.jse.co.za/documents/2024/jse/isse/CLI/INT2024.pdf>. Copies of the full announcement are available for inspection at the Company's registered office, at no charge, during office hours and may also be requested from Eben Smit on 011 320 3015 or esmit@clientele.co.za. Any investment decisions should be based on consideration of the full announcement accessible via the JSE link above and published on the Company's website which can be found through this link: <https://clientele.co.za/sens-announcements/>. Comprehensive commentary including regulatory requirements is contained in the full announcement.

Sponsor: PricewaterhouseCoopers Corporate Finance Proprietary Limited

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Directors: GQ Routledge, BA LLB (Chairman); BW Reekie, BSc(Hons) FASSA* (Managing Director); ADT Enthoven, BA Hons, PhD (Political Science); GK Chadwick, MAgri, MBA (Alternate); H Louw, BCom(Hons) FASSA*; PG Nkadimeng, BSc Statistics and Economics; BA Stott, CA(SA); RDT Zwane, BA, M.Phil, MBA*; RD Williams, BBusSc(Hons) FASSA; HP Mayers, BSc(Hons) FASSA; TE Mashilwane, CA(SA).

(*Executive Director)

Company secretary: EJ Smit LLB

Clientèle Limited is a licensed controlling company of the Clientèle Group of Companies.

