

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

Condensed financial results and dividend announcement for the year ended 30 June 2024

Dividends declared maintained at 125 cents per share  
Earnings per share of 98.39 cents  
Embedded value per share of 1,803 cents  
Recurring Embedded Value Earnings of R654,565 million\*  
Recurring Return on Embedded Value of 12%\*  
Value of New Business of R220 million\*  
\*Embedded Value Risk Discount Rate 14.3% (2023: 14.1%)

## **Commentary**

### **Introduction**

This year has presented new and diverse challenges for Clientèle and its subsidiaries ("the Group"), in addition to the now more familiar challenges of a depressed economy, high unemployment, crime, loadshedding and failing infrastructure.

The financial year presented anxiety and pessimism over the political environment and further decline to the economy leading up to the elections in May 2024. The year closed with greater optimism on the back of a reduction in loadshedding in the final quarter and the formation of the Government of National Unity ("GNU").

Overlaid on this background was the pending approval by the Prudential Authority ("PA"), of the Group's acquisition of 1Life Insurance (RF) Limited and the implementation of the new accounting standard for Insurance Contracts ("IFRS 17"). The latter posed an enormous challenge to the entire Insurance sector in South Africa.

IFRS 17 became effective on 1 July 2023 for the Group with the comparative restatement of the preceding year ended 30 June 2023, including a restatement of the opening Group Statement of Financial Position as at 1 July 2022.

IFRS 17 is intended to standardise global accounting for Insurance companies and thus allow for better understandability of Insurance companies' businesses regardless of geography. While the Group's annual financial statements appear significantly different from the past, this has not impacted the strategic direction, management or the underlying fundamentals of the Group nor has it affected its cash generating and dividend paying ability.

This change in accounting standard has mainly impacted the results reported by Clientèle Life Assurance Company Limited ("Clientèle Life"). The Clientèle General Insurance Limited ("Clientèle General") results remain largely unchanged. The initial adoption of IFRS 17 resulted in a R2.2 billion increase in Net Asset Value on transition date while no meaningful increase would have occurred under IFRS 4. Another meaningful change on the Statement of Financial Position arises from the fact that the Group underwrites co-branded single premium investment products with Old Mutual and Absa, which are well supported by clients.

During the course of the year, there was a planned maturity on one of the portfolios which accounts for the decrease of R4.1 billion in financial assets year-on-year.

Despite the 4% decline in the net profit for the year, and a 4% decline in earnings and headline earnings per share as a result of the lower IFRS 17 profits from Insurance operations in Clientèle Life, as described below, there has been a meaningful increase of 46% in the total comprehensive income. The Group remains in a sound solvency and liquidity position and continues to generate strong positive cashflows.

The Board has declared a final ordinary share cash dividend of 125 cents per share, for the year ended 30 June 2024 (2023: 125 cents).

## **OPERATING RESULTS**

### ***Group Statement of Comprehensive Income***

The total net insurance service result increased by 4% to R171.6 million (2023 restated: R165.2 million) impacted by a decrease in the insurance revenue, from the lower Contractual Service Margin ("CSM") as a consequence of a reduction in the Clientèle Life policy book, offset by a greater reduction in the insurance service expense on the back of better claims experience.

The total net investment result of R254.9 million is double the prior year figure (2023 restated: R124.8 million). The higher single premium income as well as higher investment returns on shareholder assets, together with the decline in the change in investment contract liabilities, contributed to this result.

Net insurance finance income is 19% higher than the prior year at R207.3 million (2023 restated: R174.5 million) mainly due to an increase of R60.8 million in the impact of interest accreted on the present value of future cash flows from insurance contracts. This is driven by the higher present value of expected cash flows on the policies accounted for in accordance with the General Measurement Model ("GMM"). This is; however, partially offset by the impact of the change in interest accreted on the CSM and the Risk Adjustment (RA).

Revenue from contracts with customers increased by 11% to R380.4 million (2023 restated: R342.0 million) and is partly offset by higher cost of sales. This is largely driven by the growth in the stand-alone Rewards business which resulted in higher acquisition costs.

Operating expenses were very well controlled and remained flat year-on-year at R420.7 million (2023 restated: R418.8 million). In particular, support costs were well controlled.

The above resulted in the net profit before tax increasing by 47% year-on-year.

The tax for the year has increased to R216.1 million (2023: R28.1 million). Due to the volume of co-branded single premium business written, a portion of the assessed loss in the Individual Policyholders' Fund has been utilised. In terms of IAS12 Income Taxes, a deferred tax asset of R107.1 million (2023: R181.5 million) has accordingly been established. In addition, in the prior year there was a revision of the underlying input estimates to quantify the deferred tax asset, resulting in the decrease in the tax charge of R120 million in the prior year in terms of IAS12. This positively impacted the taxation charge in the prior

year Group Statement of Comprehensive Income, which will reverse over time.

The above translated into earnings and headline earnings attributable to equity holders of the Group decreasing by 4% to R329.9 million (2023 restated: R344.0 million) which resulted in an annualised return on average shareholders' interests of 10.0% (2023 restated: 10.5%). Earnings and headline earnings per share of 98.39 cents were 4% lower than the restated comparative year (2023 restated: 102.60 cents).

Included in other comprehensive income is the movement in insurance finance reserve of R150.8 million (2023 restated: R14.7 million loss) as a result of the change in the closing balances of the insurance liabilities arising from the change in the yield curve, used to discount all cashflows. The Group has opted to disaggregate other comprehensive income from net profits, as allowed by IFRS 17, as this number is expected to be volatile.

All of the above has resulted in the total comprehensive income for year growth of 46% to R492.4 million (2023: restated: R336.9 million).

#### **Group Embedded Value ("EV") and Value of New Business**

The Group EV as at 30 June 2024 increased to R6.0 billion (2023: R5.9 billion), after the payment of the annual dividend of R420 million in September 2023, despite the Risk Discount Rate ("RDR") of 14.3% p.a. having increased from 14.1% p.a. at 30 June 2023. Recurring Embedded Value Earnings ("REVE") of R654.6 million were similar to the prior year results of R663.1 million.

The Value of New Business ("VNB") for the year of R220.3 million (RDR of 14.3% p.a.) decreased by 10% year-on-year (2023: R244.9 million (RDR of 14.1% p.a.)).

The EV and VNB sensitivities are illustrated in the Group EV results.

In 2023, the present value of new business premiums increased due to large volumes of Single Premium investment business written, which resulted in a marked decrease (to 4.8%) in the overall new business profit margin due to the relatively low profit margin on this block of business. Following less Single Premium investment business written in 2024, the new business profit margin has increased to 9.0%.

#### **SEGMENT RESULTS**

##### ***Clientèle Life – Long-term insurance***

Clientèle Life remains the major contributor to the Group's performance. The impact of the continued higher than expected withdrawals, resulted in an 8% decrease in net profit for the year to R252.6 million (2023 restated: R276.0 million). Included in other comprehensive income is the movement in the Insurance Finance Reserve of R150.8 million net of tax (2023 restated: R14.7 million loss net of tax) as a result of the change in closing balances of the insurance liabilities arising from the change in the yield curve used to discount all cashflows. All of the above has resulted in total comprehensive income for year growth of 54% to R403.4 million (2023 restated: R261.3 million).

Clientèle Life's total VNB for the year of R104.8 million (2023: R157.5

million) has reduced by 33.4%.

Clientèle Life recorded REVE of R411.1 million (2023: R466.9 million), a decrease of 11.9%. The Recurring Return on EV was 10.5% (2023: 11.7%).

#### ***Clientèle General – Short-term insurance***

Clientèle General's net profit for the year of R105.6 million (2023 restated: R81.7 million) increased by 29% compared to the comparative year, largely as a result of increases in insurance revenue and a decrease in insurance service expenses, mainly marketing and employee expenses.

Clientèle General's VNB was R73.1 million (2023: R67.9 million) an increase of 7.7%. Clientèle General recorded REVE of R203.5 million (2023: R171.0 million) an increase of 19%. The Recurring Return on EV was 14.7% (2023: 13.0%).

#### ***CBC Rewards, Clientèle Mobile and Direct Rewards***

CBC Rewards, Clientèle Mobile and Direct Rewards – the Group's non-insurance entities – reported a combined net loss of R19.4 million (2023 restated: net loss of R4.1 million) for the year. This is largely due to an increased investment in CBC Rewards which is currently in the development and establishment phase and thus requires up-front investment in people and systems which will derive benefit in the future. The systematic rollout phase of the CBC rewards program has resulted in large volumes of new business and associated acquisition costs which resulted in the current year losses. The segment produced VNB of R42.4 million (2023: R19.5 million), an increase of 117.4%. The Segment recorded REVE of R53.7 million (2023: R27.4 million), an increase of 96.0%.

CBC Rewards is responsible for, amongst other things:

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

#### ***Outlook\****

- In this challenging environment, 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 them to the market conveniently and efficiently.
- The integration of lLife into the Group is a key focus area. A tight control environment will continue to be maintained and improved, whilst every effort will be made to maintain and improve business efficiencies as well as capital and liquidity management.
- Investment of time and effort in the Clientèle App, Clientèle Rewards, Clientèle Royalty, and Clientèle Mobile initiatives aligns with the Group's focus on "shared value".
- With the ongoing challenges within the premium collections' environment, management continue to implement initiatives to mitigate the impact of high withdrawals. There are, however, encouraging signs of better stability in the collections environment.
- Despite the increased competition from competitors who have greater direct access to customer experience and information, the Board

remains optimistic that there are opportunities for growth and value creation, over time, in the Group's target market.

- We are focused on delivering sustained performance through tough and uncertain economic conditions. A tight control environment will continue to be maintained and improved upon, whilst every effort will be made to maintain and improve business efficiencies.

*\*Any forward-looking information in this announcement has not been reviewed or reported on by the Group's auditors and is the responsibility of the directors*

### **Dividend Declared**

Notice is hereby given that the Directors have declared a final gross dividend of 125.00 cents (2023: 125.00 cents) per share on 20 September 2024 for the year ended 30 June 2024.

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) (2023: twenty percent);
- The gross local dividend amount is 125.00 cents (2023: 125.00 cents) per ordinary share for shareholders exempt from the dividends tax;
- The net local dividend amount is 100.00 cents (2023: 100.00 cents) per ordinary share for shareholders liable to pay the dividends tax;
- The local dividends tax amount is 25.00 cents (2023: 25.00 cents) per ordinary share for shareholders liable to pay the dividend withholding tax;
- Clientèle Limited currently has 453,158,983 (2023: 335,321,768) 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:

Declaration date Friday, 20 September 2024

Last day to trade Tuesday, 8 October 2024

Shares commence trading "ex" dividend Wednesday, 9 October 2024

Record date Friday, 11 October 2024

Payment date Monday, 14 October 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 9 October 2024 and Friday, 11 October 2024, both days inclusive.

By order of the Board

GQ Routledge  
Chairman  
Johannesburg

BW Reekie  
Managing Director

20 September 2024

	Year ended 30 June 2024	% change	Year ended 30 June 2023
Net profit for the year (R'000)	333,909	-4%	346,405*
Headline earnings per share (cents)	98.39	-4%	102.60*
Earnings per share (cents)	98.39	-4%	102.60*
Dividend per share (cents)	125.0		125.0
Embedded Value at the end of the year (R'000)	6,046,026	3%	5,887,476
Recurring Return on Embedded Value (%)	12.0		12.3
Value of New Business for the year (R'000)	220,336	-10%	244,873
Recurring EV Earnings for the year (R'000)	654,565	-1%	663,091

\*restated due to implementation of IFRS 17

**Short-form announcement**

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/CLI2024.pdf> and on the Company's weblink: <https://clientele.co.za/sens-announcements/>.

The condensed consolidated results for the year ended 30 June 2024 have been reviewed, in terms of International Standards on Review Engagements, (ISRE 2410), by Deloitte & Touche, who expressed an unmodified review conclusion. These results are extracted from the reviewed results but the announcement itself is not reviewed.

Any investment decisions should be based on consideration of the full announcement. Comprehensive commentary including regulatory requirements is contained in the full announcement.

**Sponsor: PricewaterhouseCoopers Corporate Finance Proprietary Limited**

**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, 2106, South  
Africa PO Box 61051, Marshalltown 2107, South Africa

**Directors:**

GQ Routledge BA, LLB (Chairman); BW Reekie BSc(Hons), FASSA\* (Managing  
Director); GK Chadwick MBA MAg; 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), AC Pillay CA(SA)\*, MA Raisbeck BSc(Hons) Agricultural Economics,  
CA(England and Wales); TJ Creamer Cert. Leadership for Senior Executives.  
(\*Executive Director)

Company secretary: EJ Smit LLB