



Clientèle

CONDENSED UNAUDITED GROUP RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER

2020



Clientèle

Recurring
Embedded Value
Earnings increased
by 47% to

**R414.6
million**

Diluted
headline earnings
per share increased
by 11% to

58.57 cents
per share

Annualised
return on average
shareholders'
interest of

41%

Net insurance
premiums
increased to

**R1.09
billion**

Embedded
Value
per share of

R17.58

Value of
New Business
increased by
145% to

**R124.9
million**

Annualised
Recurring Return
on Embedded
Value of

14.9%

Commentary

INTRODUCTION

Despite the impact of the COVID-19 pandemic, Clientèle Limited (“Clientèle”) is pleased to report a strong set of results for the period with an improvement in all of its key performance metrics when compared to the same period last year. This has been achieved against the backdrop of a struggling economy and has been driven by production which has exceeded expectations, improved collection practices, better investment returns and tight control of expenses. The excess claims incurred during the period as a result of the COVID-19 pandemic were provided for at 30 June 2020 and an additional COVID-19 risk reserve, as referred to below, has been established to cover expected additional claims for the six months to 30 June 2021.

We are pleased to report that the distribution capabilities and demand for Clientèle’s products remains strong, however pressure on our clients’ payment ability due to the lockdown, reduced disposable income, increasing unemployment and the poor state of the economy are expected to endure for the foreseeable future.

Reassuringly, given the tough environment and factors referred to above, the Group is in a sound solvency and liquidity position.

The Clientèle Group (“the Group”) achieved an annualised investment return for the period of 10.7% (2019: 5.5%) from its investment portfolios.

Clientèle’s loyalty program, Clientèle Rewards, has been well subscribed to by clients and Rewards contracts have now been taken up by approximately 17% of Clientèle’s client base.

The Clientèle Application (“the Clientèle App”) which has been keenly adopted by our clients enables a more interactive relationship with them and serves as a platform for Clientèle Rewards and Clientèle Mobile, as well as many future opportunities.

OPERATING RESULTS

Group Statement of Comprehensive Income

Net insurance premiums for the period increased by 1% to R1.09 billion (2019: R1.08 billion), positively impacted by production which was higher than expectation in the Agency and Broker Channels and an improvement in premium collection practices. The lockdown resulted in reduced new business in the last 3 months of the previous financial year which consequently impacted insurance premiums in the current period.

Net insurance benefits and claims of R210.6 million were 23% higher than the R171.2 million in respect of the comparative period as a result of the COVID-19 pandemic.

During the period R16.6 million of the R19.3 million COVID-19 risk reserve (net of reinsurance) as set up at 30 June 2020 was utilised to fund excess claims and R2.7 million was released. At 31 December 2020 an additional COVID-19 risk reserve (net of reinsurance) of R31.7 million has been set up for excess claims expected during the period to 30 June 2021.

Management responded to the tough environment and accordingly reduced operating expenses to R714.2 million (2019: R764.7 million), which were 7% lower than the comparative period.

The above translates into headline earnings for the Group increasing by 11% to R196.6 million (2019: R176.7 million) which results in an annualised return on average shareholders’ interests of 41% (2019: 36%). Diluted headline earnings per share of 58.57 cents (2019: 52.62 cents) were 11% higher than the comparative period.

Group Embedded Value and Value of New Business

The Group Embedded Value (“EV”) increased from R5.87 billion at 30 June 2020 to R5.90 billion at 31 December 2020 after the payment of the annual dividend of R318.6 million in September 2020. Recurring Embedded Value Earnings (“REVE”) of R414.6 million were earned for the period (2019: R282.0 million), an increase of 47%.

The Value of New Business (“VNB”) for the period amounted to R124.9 million (2019: R50.9 million), increasing by 145% over the comparative period.

The new business profit margin of 10.6% has improved on prior reporting periods (June 2020: 4.2 % and December 2019: 4.6%) as a consequence of improved collection practices and tight control of expenses.

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 R2.8 billion (2019: R2.9 billion).

SEGMENT RESULTS

Clientèle Life – Long-term insurance

Clientèle Life's Long-term insurance segment remains the major contributor to the Group's performance and recorded a 5% decrease in net profit for the period to R151.5 million (2019: R159.9 million) as a result of increased acquisition costs arising from good new business growth. Clientèle Life's total VNB for the period of R76.8 million (2019: R25 million) increased by 207% over the comparative period. Clientèle Life recorded REVE of R267.2 million (2019: R220.6 million), an increase of 21%.

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

Clientèle Legal's net profit for the period of R53.4 million (2019: R24.2 million) increased by 121% over the comparative period. Clientèle Legal's VNB of R45.0 million (2019: R22.6 million) increased by 99%. Clientèle Legal recorded REVE of R131.3 million (2019: R64.4 million), an increase of 104%.

CBC Rewards and Clientèle Mobile

As mentioned below, CBC Rewards and Clientèle Mobile is a new segment within the Group and reported a net loss for the period of R1.5 million and VNB of R2.8 million.

OUTLOOK

Clientèle is, more than ever, aware of the demand for its products and the need to continue to treat its clients well. Management continue to successfully navigate the business through the COVID-19 lockdown challenges and Clientèle remains well positioned to service new and existing clients into the future.

Management's recent initiatives, which include Clientèle Rewards, the Clientèle App and Clientèle Mobile coupled with the roll-out of DebiCheck are aimed at improving persistency, the quality of new business written and adding value to our customers. These initiatives have progressed during the period. Clientèle will continue to focus on increasing production levels across all of its distribution channels, many of which have been successfully re-engineered for the new operating environment.

Tight control will continue to be kept on expenses and every effort will be made to maintain and improve business efficiencies.

Clientèle Rewards, the Clientèle App and Clientèle Mobile are important ingredients in offering our customers improved value, convenience and service which we believe will further enhance and differentiate the Clientèle business model in future.

Clientèle remains committed to providing products and services that are relevant and meet our customers' needs and will continue to improve on the delivery of them to the market conveniently and efficiently.

The Board is pleased with the results for the period, particularly given the context of a difficult economic, investment and operating environment and is comfortable that the recent challenges have been handled well. Despite the pressure on Clientèle's customers' disposable income which has been compounded by COVID-19 and the lockdown, the Board remains encouraged by the prospects for growth and value creation over time. Nonetheless in the short-term the Board still anticipates great uncertainty and a poor economic climate.

The Board commends management and all employees for their effort and commitment in these extraordinary times.

By order of the Board

GQ Routledge
Chairman

BW Reekie
Managing Director

Johannesburg

22 February 2021

Condensed Group Statement of Financial Position

(R'000's)	31 December		Audited 30 June
	2020	2019	2020
Assets			
Owner-occupied properties ¹	428,002	432,781	427,283
Intangible assets	57,627	39,101	49,340
Property and equipment	38,344	49,080	43,149
Deferred tax ²	170,924	241,307	260,506
Reinsurance assets	52,135	2,888	38,738
Financial assets at fair value through profit or loss	8,481,725	7,745,883	8,270,830
Financial assets at amortised cost		125,698	69,535
Inventories	4,894	2,793	3,892
Investment in associate	4,437		
Trade receivables including insurance receivables	49,419	64,776	47,448
Cash and cash equivalents	347,761	290,102	484,905
Total assets	9,635,268	8,994,409	9,695,626
Total equity and reserves	893,832	864,260	1,013,710
Liabilities			
Deferred tax	19,519	97,415	90,481
Financial liabilities held at amortised cost	171,917	219,223	170,215
Policyholder liabilities under insurance contracts ³	792,109	630,667	741,738
Financial liabilities held at fair value through profit or loss	7,287,443	6,714,844	7,222,354
Loans at amortised cost	114,083	113,038	112,781
Financial Guarantee Liability ⁴	32,000		20,000
Employee benefits	51,574	38,886	67,908
Accruals and payables including insurance payables	262,930	312,327	249,209
Current tax	9,861	3,749	7,230
Total liabilities	8,741,436	8,130,149	8,681,916
Total equity and liabilities	9,635,268	8,994,409	9,695,626

1. Owner-occupied properties are disclosed at level 3 in the fair value measurement hierarchy.

2. Deferred tax includes R146.4 million (2019: R172.8 million) in respect of tax losses which are expected to be utilised in the foreseeable future related to Clientèle Life's individual policyholder's tax fund ("IPF") as a result of single premium business. (Refer to estimates and judgments note on page 10 and the tax note on page 11).

3. In light of COVID-19 and the current economic circumstances, additional disclosures have been included in respect of Policyholder liabilities under insurance contracts. (Refer to Policyholder liabilities under insurance contracts build up on page 12).

4. The financial guarantee liability is the estimated credit loss in respect of guarantees issued. The increase in the provision relates to covenants linked to the Clientèle share price. (Refer to the Capital and Other Commitments note on page 13).

Condensed Group Statement of Comprehensive Income

(R'000's)	Six months ended 31 December		% Change	Audited Year ended 30 June
	2020 Actual	2019 Actual		2020
Revenue				
Insurance premium revenue	1,154,654	1,148,876	1%	2,222,815
Reinsurance premiums	(63,035)	(65,697)		(128,564)
Net insurance premiums	1,091,619	1,083,179	1%	2,094,251
Revenue from contracts with clients	69,667	60,334		123,587
Cost of Sales ³	(7,948)			
Other income	23,148	24,770		47,976
Interest income on financial assets at amortised cost	1,701	4,660		7,859
Interest income	3,629	6,797		9,637
Fair value adjustment to financial assets at fair value through profit or loss	357,845	252,004		858,445
Net income	1,539,661	1,431,744	8%	3,141,755
Net insurance benefits and claims	(210,597)	(171,196)	23%	(330,499)
Gross insurance benefits and claims	(291,879)	(232,438)		(444,333)
Insurance claims recovered from reinsurers	81,282	61,242		113,834
Increase in policyholder liabilities under insurance contracts	(50,371)	(3,106)		(114,176)
Increase in reinsurance assets	13,397	20		35,870
Fair value adjustment to financial liabilities at fair value through profit or loss ¹	(271,784)	(235,996)		(832,393)
Movement in expected credit loss	(12,000)			(19,000)
Finance cost on financial liabilities at amortised cost	(6,702)			(18,841)
Interest expense	(3,094)	(4,836)		(9,180)
Operating expenses	(714,150)	(764,695)	(7%)	(1,398,122)
Net Profit before tax	284,360	251,935	13%	455,414
Tax	(87,682)	(75,264)		(126,897)
Net Profit for the period	196,678	176,671	11%	328,517
Attributable to:				
Equity holders of the Group – ordinary shareholders	196,678	176,671	11%	328,517
Other comprehensive income:				
Loss on property revaluation ²				(5,783)
Income tax relating to loss on property revaluation ²				1,502
Other comprehensive income for the period – net of tax				(4,281)
Total comprehensive income for the period	196,678	176,671		324,236
Attributable to:				
Equity holders of the Group – ordinary shareholders	196,678	176,671	11%	324,236
Earnings per share (cents)	58.65	52.69	11%	97.97
Diluted Earnings per share (cents)	58.58	52.62	11%	97.87

1. Includes R14.7 million (2019: R5.2 million) related to the IPF deferred tax asset of R146.4 million (2019: R172.0 million).

2. Items that cannot be recycled to profit and loss.

3. Consists of cost of sales in respect of rewards and mobile contracts.

Condensed Group Statement of Changes in Equity

(R'000's)	Share capital	Share premium	Common control deficit	Sub- total
Balance as at 1 July 2019	6,706	388,959	(220,273)	175,392
Ordinary dividends				-
Total comprehensive income	-	-	-	-
- Net profit for the period				-
- Other comprehensive income				-
Share issued		106		106
Bonus Rights Scheme allocated				-
Bonus Rights Scheme repaid by issue of share capital				-
Balance as at 31 December 2019	6,706	389,065	(220,273)	175,498
Balance as at 1 January 2020	6,706	389,065	(220,273)	175,498
Ordinary dividends				-
Total comprehensive income	-	-	-	-
- Net profit for the period				-
- Other comprehensive income/(expense)				-
Share issued		70		70
Bonus Rights Scheme allocated				-
Bonus Rights Scheme repaid by issue of share capital				-
Balance as at 30 June 2020	6,706	389,135	(220,273)	175,568
Balance as at 1 July 2020	6,706	389,135	(220,273)	175,568
Ordinary dividends				-
Total comprehensive income	-	-	-	-
- Net profit for the period				-
- Other comprehensive income				-
Share issued				-
Bonus Rights Scheme allocated				-
Bonus Rights Scheme repaid by issue of share capital				-
Balance as at 31 December 2020	6,706	389,135	(220,273)	175,568

Condensed Group Statement of Changes in Equity *continued*

(R'000's)	Retained earnings	Bonus Right Scheme Reserve ¹	Non-distributable reserves: Revaluation	Total
Balance as at 1 July 2019	855,432	20,292	74,783	1,125,899
Ordinary dividends	(439,259)			(439,259)
Total comprehensive income	176,671	–	–	176,671
– Net profit for the period	176,671			176,671
– Other comprehensive income				–
Share issued				106
Bonus Rights Scheme allocated ²		940		940
Bonus Rights Scheme repaid by issue of share capital	386	(483)		(97)
Balance as at 31 December 2019	593,230	20,749	74,783	864,260
Balance as at 1 January 2020	593,230	20,749	74,783	864,260
Ordinary dividends				–
Total comprehensive income	151,846	–	(4,281)	147,565
– Net profit for the period	151,846			151,846
– Other comprehensive income/(expense)			(4,281)	(4,281)
Share issued				70
Bonus Rights Scheme allocated ²		1,894		1,894
Bonus Rights Scheme repaid by issue of share capital	402	(481)		(79)
Balance as at 30 June 2020	745,478	22,162	70,502	1,013,710
Balance as at 1 July 2020	745,478	22,162	70,502	1,013,710
Ordinary dividends	(318,556)			(318,556)
Total comprehensive income	196,678	–	–	196,678
– Net profit for the period	196,678			196,678
– Other comprehensive income				–
Share issued				–
Bonus Rights Scheme allocated ²		2,000		2,000
Bonus Rights Scheme repaid by issue of share capital				–
Balance as at 31 December 2020	623,600	24,162	70,502	893,832

1. Bonus Rights Scheme – the Clientèle Limited Bonus Rights Scheme.

2. No shares (2019: 11,990) were issued during the six month period in terms of the Bonus Rights Scheme.

Condensed Group Statement of Cash Flows

	Six months ended 31 December		Audited Year ended 30 June
(R'000's)	2020	2019	2020
Cash flows from operating activities	(105,852)	80,483	310,547
Profit from operations adjusted for non-cash items	294,089	268,241	633,302
Working capital changes	(28,398)	(68,750)	(114,204)
Separately disclosable items ¹	(34,631)	(51,371)	(90,138)
Decrease in financial liabilities ^{2,5}	(205,118)	(167,059)	(323,793)
Net disposal of investments ^{3,5}	218,462	546,601	687,458
Interest received	28,123	39,440	68,981
Dividends received	6,508	11,931	21,156
Dividends paid	(318,456)	(438,642)	(439,527)
Tax paid	(66,431)	(59,908)	(132,688)
Cash flows from investing activities ⁴	(29,624)	(20,136)	(50,795)
Cash flows from financing activities	(1,668)	(4,840)	(9,442)
Net (decrease)/increase in cash and cash equivalents	(137,144)	55,507	250,310
Cash and cash equivalents at beginning of the period	484,905	234,595	234,595
Cash and cash equivalents at end of the period	347,761	290,102	484,905

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. The decrease in financial liabilities and the disposal of investments includes co-branded single premium business.

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), CBC Rewards and Clientèle Mobile and Other (Clientèle Limited's investments including the equity accounted investment in Direct Rewards). The vast majority of contracts written are in respect of individuals.

SEGMENT ASSETS AND LIABILITIES

	Six months ended 31 December		Audited Year ended 30 June
(R'000's)	2020	2019	2020
Long-term Insurance	9,244,023	8,640,560	9,317,894
Short-term Insurance	280,510	243,331	271,863
CBC Rewards and Clientèle Mobile	34,445		
Other	78,096	117,200	107,079
Inter segment	(1,806)	(6,682)	(1,210)
Total Group Assets	9,635,268	8,994,409	9,695,626
Long-term Insurance	8,656,073	8,076,940	8,616,053
Short-term Insurance	50,466	47,091	46,569
CBC Rewards and Clientèle Mobile	3,949		
Other	32,754	19,978	20,504
Inter segment	(1,806)	(13,860)	(1,210)
Total Group Liabilities	8,741,436	8,130,149	8,681,916

Segment Statements of Comprehensive Income

(R'000's)	Long-term insurance	Short-term insurance	CBC Rewards and Mobile	Other	Inter segment	Total
31 December 2020						
Revenue						
Insurance premium revenue	905,548	249,106				1,154,654
Reinsurance premiums	(63,035)					(63,035)
Net insurance premiums	842,513	249,106	-	-	-	1,091,619
Revenue from contracts with clients	53,157		16,510			69,667
Cost of sales			(7,948)			(7,948)
Other income	31,373	30	3,645	318,833	(330,733)	23,148
Interest income on financial assets at amortised cost	1,701					1,701
Interest income	2,797	743	5	85		3,629
Fair value adjustment to financial assets at fair value through profit and loss	342,717	11,537		3,591		357,845
Segment income	1,274,257	261,416	12,213	322,509	(330,733)	1,539,661
Segment expenses and claims	(1,047,933)	(191,569)	(14,291)	(13,682)	12,174	(1,255,301)
Net insurance benefits and claims	(188,983)	(21,614)				(210,597)
(Increase)/decrease in policyholder liabilities under insurance contracts	(50,793)	422				(50,371)
Increase in reinsurance assets	13,397					13,397
Fair value adjustment to financial liabilities at fair value through profit and loss	(271,784)					(271,784)
Movement in expected credit loss				(12,000)		(12,000)
Finance cost on financial liabilities at amortised cost	(6,702)					(6,702)
Interest expense	(3,094)					(3,094)
Operating Expenses	(539,974)	(170,377)	(14,291)	(1,682)	12,174	(714,150)
Net Profit/(loss) before tax for the period	226,324	69,847	(2,079)	308,827	(318,559)	284,360
Tax	(74,865)	(16,438)	582	4,223	(1,185)	(87,682)
Net profit/(loss) for the period	151,460	53,409	(1,496)	313,050	(319,744)	196,678
Net profit for the period attributable to: Equity holders of the Group – ordinary shareholders	151,460	53,409	(1,496)	313,050	(319,744)	196,678

(R'000's)	Long-term insurance	Short-term insurance	Other	Inter segment	Total
31 December 2019					
Revenue					
Insurance premium revenue	909,608	238,474	794		1,148,876
Reinsurance premiums	(65,697)				(65,697)
Net insurance premiums	843,911	238,474	794	-	1,083,179
Revenue from contracts with clients	60,334				60,334
Other income	30,320	144	424,460	(430,154)	24,770
Interest income	4,005	801	1,991		6,797
Interest income on financial assets at amortised cost	4,660				4,660
Fair value adjustment to financial assets at fair value through profit and loss	247,677	3,880	447		252,004
Segment income	1,190,907	243,299	427,692	(430,154)	1,431,744
Segment expenses and claims	(961,872)	(209,936)	(17,777)	9,776	(1,179,809)
Net insurance benefits and claims (Increase)/decrease in policyholder liabilities under insurance contracts	(147,802)	(23,394)			(171,196)
Increase in reinsurance assets	(3,343)	237			(3,106)
Fair value adjustment to financial liabilities at fair value through profit and loss	20				20
Interest expense	(235,996)				(235,996)
Operating expenses	(4,836)				(4,836)
	(569,915)	(186,779)	(17,777)	9,776	(764,695)
Net profit before tax	229,035	33,363	409,915	(420,378)	251,935
Tax	(69,164)	(9,115)	3,015		(75,264)
Net profit for the period	159,871	24,248	412,930	(420,378)	176,671
Net profit for the period attributable to:					
Equity holders of the Group – ordinary shareholders	159,871	24,248	412,930	(420,378)	176,671

Notes to the results

The results have not been reviewed or audited by the Group's auditors, PricewaterhouseCoopers Incorporated.

The change in policyholder liabilities has been based on best estimates after providing for compulsory and discretionary margins and has been reviewed by the Group's head of actuarial function.

The Condensed Group Results were prepared under the supervision of Mr IB Hume(CA(SA), ACMA), the Group Financial Director.

Changes to the board

There were no changes to the Board subsequent to the previous reporting period.

Segment Statements of Comprehensive Income *continued*

ACCOUNTING POLICIES

Statement of compliance

The condensed consolidated interim Financial Statements are prepared in accordance with the JSE Listings Requirements for interim reports and the requirements of the Companies Act, Act 71 of 2008, of South Africa. The Listings Requirements require interim 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, other than indicated below.

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

Estimates and judgements

The preparation of the condensed consolidated interim 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 and other contracts, policyholder liabilities, employee benefits, intangible assets, deferred tax assets and related liabilities and unquoted financial instruments, guarantees and related estimated credit losses, are affected by accounting estimates and judgments.

The calculation of the deferred tax asset in respect of the IPF of R146 million (2019: R172 million) and future utilisation of the assessed loss together with the related policyholder liability amounting to R132 million (2019: R152 million) is subject to estimates and judgements. The input with the most effect on the calculation is the attrition of business. Management has used an attrition rate of 20% in respect of the co-branded single premium business as the behaviour of this book of business, which has been written in large tranches, is similar to group business. Management will monitor this assumption annually as currently there is insufficient statistical data or experience to inform another view. If the attrition rate decreased to 17.5%, the deferred tax asset will increase to R159 million (2019: R192 million), with an additional positive impact of R1.2 million (2019: R0.9 million) on net profit after tax. If the attrition rate increased to 22.5%, the deferred tax asset would decrease to R134 million (2019: 155 million), with an additional negative impact of R1.1 million (2019: R2 million) on net profit after tax. At the interim reporting date the IPF has an estimated tax loss of R2.1 billion (2019: R2.6 billion).

The impact of COVID-19 and the national lockdown on the economy has been major. This has had a knock-on impact on most businesses including Clientèle, with actual and anticipated withdrawals worsening as a consequence. As at 30 June 2020, an explicit allowance was made in the assumptions for the worsening of withdrawals and premium collections. These increased assumptions remained in place as at 31 December 2020. An explicit COVID-19 risk reserve was set up as at 30 June 2020 to allow for expected additional COVID-19 related policyholder claims. The majority of this additional claims reserve has been utilised in the six months and the balance has been increased to allow for the expected excess claims up to 30 June 2021. The reserve amounted to R81.3 million (R31.7 million net of reinsurance recoveries) at 31 December 2020. No other significant modelling changes were made over the reporting period.

Adoption of new and amended standards

New or amended standards effective for the period have no impact on the results for the period.

Tax

(R'000's)	Six months ended 31 December		Audited Year ended 30 June
	2020	2019	2020
Current and deferred tax	(68,675)	(67,621)	(112,047)
Policyholder deferred tax recognised in terms of IAS12*	(18,553)	(7,345)	(14,481)
Capital gains tax	(454)	(298)	(369)
Tax	(87,682)	(75,264)	(126,897)

* The Individual Policyholder Fund has an estimated tax loss of R2.1 billion (2019: R2.6 billion).

Reconciliation of Net Profit to Headline Earnings

(R'000's)	Six months ended 31 December		% Change	Audited Year ended 30 June
	2020	2019		2020
Net profit for the period attributable to equity holders of the Group	196,678	176,671	11%	328,517
Add: Impairment of intangible asset				3,950
(Less)/Add: (Profit)/loss on disposal of property and equipment	(61)			100
Headline earnings for the period	196,617	176,671	11%	332,567

Ratios per Share

(Cents)	Six months ended 31 December		% Change	Audited Year ended 30 June
	2020	2019		2020
Headline earnings per share	58.64	52.69	11	99.18
Diluted headline earnings per share	58.57	52.62	11	99.09
Earnings per share	58.65	52.69	11	97.97
Diluted earnings per share	58.58	52.62	11	97.87
Net asset value per share	266.56	257.74	3	302.31
Diluted net asset value per share	266.24	257.44	3	302.00
Dividends per share – paid	95.00	131.00		131.00
Dividends per share – declared	–	–		95.00
Ordinary shares in issue ('000)	335,322	335,316		335,322
Weighted average ordinary shares ('000)	335,316	335,311		335,316
Diluted average ordinary shares ('000)	335,718	335,717		335,613

Policyholder Liabilities under insurance contracts

	December 2020		December 2019		June 2020	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Discounted long-term insurance liabilities as at the end of the year	696,551	696,551	614,492	614,461	671,524	671,484
COVID-19 risk reserve	81,387	31,667	–	–	55,680	19,315
Undiscounted insurance liabilities as at the end of the year	5,957	3,543	6,950	4,113	5,899	3,565
Long-term insurance liabilities	783,895	731,760	621,442	618,575	733,103	694,365
Short-term insurance liabilities	8,214	8,214	9,205	9,205	8,635	8,635
Total insurance liabilities*	792,109	739,974	630,647	627,780	741,738	741,738
Reinsurance assets		52,135		2,868		38,739

* Due to the accounting practice of eliminating negative reserves, the insurance liabilities are not particularly sensitive to the underlying assumptions in respect of: equity price; interest rate; assurance mortality and morbidity; renewal expenses; withdrawals and inflation.

The total value of discretionary margins amounts to R2.8 billion (2019: R2.9 billion).

The following table shows the movement of the COVID-19 risk reserve:

COVID-19 reserve	Gross of reinsurance	Net of reinsurance
COVID-19 risk reserve set up as at 30 June 2020	55,680	19,315
Reserve utilised to fund excess claims during the 6 months	(48,993)	(16,613)
Release of unutilised reserve	(6,687)	(2,702)
Subtotal	–	–
COVID-19 risk reserve set up for excess claims up to 30 June 2021	81,387	31,667
COVID-19 risk reserve as at 31 December 2020	81,387	31,667

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

The following table presents the Group's financial assets and liabilities that are measured at fair value through profit or loss at 31 December 2020:

(R'000's)	Level 1	Level 2	Level 3	Total
Assets				
Listed equity securities	555,884			555,884
Foreign Listed equity securities	113,614			113,614
Unlisted equity securities		3,851		3,851
Promissory notes and fixed deposits		7,244,135		7,244,135
Funds on deposit		197,489		197,489
Fixed interest securities		5,026	36,517	41,543
Government and public authority bonds		284,207		284,207
Foreign listed bonds		41,002		41,002
Total assets	669,498	7,775,710	36,517	8,481,725
Liabilities				
Financial liabilities at fair value through profit of loss		7,275,151	12,292	7,287,443
Total Liabilities		7,275,151	12,292	7,287,443

Policyholders linked exposure to Residual Debt Services Limited through investments in Stub paper of R36.5 million as at 31 December 2020 is disclosed at level 3 on the fair value hierarchy as the value of the Stub paper is estimated indirectly using valuation techniques and models. Key assumptions used in the valuation include a discounted future cash flow, applying a discount rate of 14%.

RECONCILIATION OF LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents the changes in level 3 financial instruments for the six months ended 31 December 2020.

(R'000)	31 December 2020		30 June 2020	
	Financial Assets at fair value through profit or loss	Financial Liabilities at fair value through profit or loss	Financial Assets at fair value through profit or loss	Financial Liabilities at fair value through profit or loss
Opening balances	39,483	13,288	52,700	52,700
Transfer from level 2 to level 3			26,195	
Interest raised during the year	1,648	557	3,651	3 651
Fair value adjustments recognised in profit or (loss)	(391)	(129)	(1,581)	(1,581)
Repayments	(4,223)	(1,424)	(41,482)	(41,482)
Closing balance	36,517	12,292	39,483	13,288

CAPITAL AND OTHER COMMITMENTS

Clientèle Limited has in prior years provided financial assistance resulting in a net exposure via guarantees of R200 million for the purchase of approximately 7.3% of Clientèle's issued shares ("ordinary Shares") by Yellowwoods Trust Investments (Pty) Ltd ("YTI") a wholly owned subsidiary of the Hollard Foundation Trust, a B-BBEE Trust.

As at 31 December 2020, the guarantees remained in place.

EVENTS AFTER THE REPORTING DATE

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

RELATED PARTY TRANSACTIONS

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

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 31 December 2020.

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:

- Life insurance policies regulated in terms of the Long-term Insurance Act, 1998 and the Insurance Act 18, 2017;
- Legal insurance business where EV Methodology has been used to determine future shareholder entitlements; and,
- Annuity income arising from non-insurance contracts (including IFA business fees, Clientèle Rewards and Clientèle Mobile) where EV Methodology has been used to determine future shareholder entitlements.

The impact of COVID-19 and the national lockdown on the economy has been major. This has had a knock-on impact on most businesses including Clientèle, with actual and anticipated withdrawals worsening as a consequence. As at 30 June 2020, an explicit allowance was made in the assumptions for the worsening of withdrawals and premium collections. These increased assumptions remained in place as at 31 December 2020.

An explicit COVID-19 risk reserve was set up as at 30 June 2020 to allow for expected additional COVID-19 related policyholder claims. The majority of this additional claims reserve has been utilised in the six months and the balance has been increased to allow for the expected excess claims up to 30 June 2021. The reserve amounted to R81.3 million (R31.7 million net of reinsurance recoveries) at 31 December 2020.

No significant modelling or assumption changes were made over the reporting period apart from those described above.

The EV calculation has been reviewed by the Group's Head of Actuarial Function. The EV can be summarised as follows:

(R'000's) Unaudited	31 December		30 June
	2020	2019	2020
Required economic capital	474,511	502,712	447,945
Free surplus	494,951	458,738	658,512
Adjusted Net Worth ("ANW") of covered business	969,462	961,450	1,106,457
CoC	(71,466)	(101,901)	(70,586)
PVIF	4,998,380	5,492,805	4,838,615
EV of covered business	5,896,376	6,352,354	5,874,486

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

The PVIF business is the present value of future after-tax profits arising from covered business in force as at 31 December 2020 on the Published Reporting Basis. The Published Reporting Basis is based on IFRS.

Reconciliation of Total Equity to ANW

(R'000's)	31 December		30 June
	2020	2019	2020
Total equity and reserves per the Statement of Financial Position	893,832	864,260	1,013,710
Adjusted for deferred profits and impact of compulsory margins on investment business	64,668	89,387	76,982
Adjusting subsidiaries to Net Asset Value	35,170	34,628	35,170
Reversal of Switch2 intangible asset		(4,579)	
Reversal of Investment in Direct Rewards	(3,750)		
Bonus Rights Scheme adjustment	(7,208)	(7,745)	(6,282)
Net of tax impact of adjusting Single Premium business to market value	(13,250)	(14,501)	(13,123)
ANW	969,462	961,450	1,106,457

The CoC is the opportunity cost of having to hold the Required Capital of R474.5 million as at 31 December 2020 (31 December 2019: R502.7 million).

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

The Required Economic Capital is based on the Published Reporting Basis and has been set as one times the Economic Capital Requirement for the Life Company (R333.9 million) and for the General Company (R140.6 million) as at 31 December 2020.

Value of New Business (“VNB”)

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

(R'000's) Unaudited	VNB	Present Value of New Business Premiums	New Business profit margin
31 December 2020			
Recurring premium business	123,518	1,103,331	11.2%
Single premium business	1,363	72,950	1.9%
Total	124,881	1,176,281	10.6%
31 December 2019			
Recurring premium business	47,972	974,634	4.9%
Single premium business	2,941	140,290	2.1%
Total	50,913	1,114,924	4.6%
30 June 2020			
Recurring premium business	65,579	1,437,819	4.6%
Single premium business	3,289	188,044	1.7%
VNB excluding uncovered expenses in the last quarter of the 2020 financial year COVID-19 impact: once-off impact on new business*	68,868 (159,417)	1,625,863	4.2%
VNB including COVID-19 impact in the last quarter of the 2020 financial year	(90,549)		

* Uncovered expenses in the last quarter of the 2020 financial year as a consequence of new business being minimal due to COVID-19 lockdown restrictions.

Long-term Economic Assumptions

(%)	31 December		30 June
	2020	2019	2020
Risk Discount Rate	10.7	12.0	10.6
Non-unit investment return	7.2	8.5	7.1
Unit Investment return	8.3	9.5	7.8
Expense inflation	3.7	4.8	3.1
Corporate tax	28.0	28.0	28.0
Gross of tax Equity return	9.7	11.0	9.6
Gross of tax Cash return	5.2	6.5	5.1
Gross of tax Bond return	7.2	8.0	7.1
Gross of tax risk free return	7.2	8.5	7.1

The risk discount rate (“RDR”) has been determined using a top-down weighted average cost of capital approach, with the equity return calculated using the Capital Asset Pricing Model (“CAPM”) theory. In terms of current actuarial guidance, the RDR has been set as the risk free rate plus a beta multiplied by the assumed equity risk premium. It has been assumed that the equity risk premium is 3.5% (31 December 2019: 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 careful consideration, the Board has decided to continue to use a more conservative beta of 1, as opposed to Clientèle’s actual beta of 0.23, in the calculation of the RDR. The Board draws the reader’s attention to the RDR sensitivity analysis in the next table, which allows for sensitivity comparisons using various alternative RDRs.

The resulting RDR utilised as at 31 December 2020 was 10.7% p.a. (31 December 2019: 12.0% p.a.).

Group Embedded Value results *continued*

RDR Sensitivities

(R'000's)	EV	VNB
RDR 8.7%	6,725,519	165,070
RDR 9.7%	6,275,313	143,215
RDR 10.6% (as at June 2020)	5,931,542	126,584
RDR 10.7% (as at December 2020)	5,896,376	124,881
RDR 11.7%	5,573,173	109,259
RDR 12.0% (as at December 2019)	5,485,286	105,007
RDR 12.7%	5,294,260	95,753

EV per Share

(Cents)	31 December		30 June
	2020	2019	2020
EV per share	1,758.42	1,894.44	1,751.90
Diluted EV per share	1,756.32	1,892.14	1,750.05

Segment Information

The EV can be split between segments as follows:

(R'000's)	ANW	PVIF	CoC	EV
31 December 2020				
Long-term insurance	688,011	3,826,110	(52,769)	4,461,352
Short-term insurance	216,841	1,130,667	(18,697)	1,328,811
CBC Rewards and Clientèle Mobile	(31,564)	41,082		9,518
Other*	96,174	521		96,695
Total	969,462	4,998,380	(71,466)	5,896,376
31 December 2019				
Long-term insurance	691,632	4,316,287	(77,894)	4,930,025
Short-term insurance	194,917	1,152,680	(24,007)	1,323,590
Other*	74,901	23,838		98,739
Total	961,450	5,492,805	(101,901)	6,352,354
30 June 2020				
Long-term insurance	824,187	3,748,951	(53,150)	4,519,988
Short-term insurance	222,940	1,058,493	(17,436)	1,263,997
Other*	59,330	31,171		90,501
Total	1,106,457	4,838,615	(70,586)	5,874,486

* Clientèle Limited (including Direct Rewards) for December 2020. Clientèle Limited, Clientèle Mobile & CBC Rewards for prior periods.

The VNB can be split between segments as follows:

(R'000's)	Six months ended		Year ended
	31 December	2019	30 June
	2020		2020
Long-term insurance	76,753	25,012	35,329
Short-term insurance	44,969	22,573	27,678
CBC Rewards and Clientèle Mobile	2,772		
Other*	387	3,328	5,861
VNB excluding uncovered expenses	124,881	50,913	68,868
COVID-19 impact**			(159,417)
VNB including COVID-19 impact	124,881	50,913	(90,549)

* Clientèle Limited (including Direct Rewards) for December 2020. Clientèle Limited, Clientèle Mobile & CBC Rewards for prior periods.

** Uncovered expenses in the last quarter of the 2020 financial year as a consequence of new business being minimal due to COVID-19 lockdown restrictions.

Embedded Value Earnings Analysis

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

(R'000's)	Note	December 2020				31 December	30 June
		ANW	VIF	CoC	EV	2019 EV	2020 EV
Closing EV		969,462	4,998,380	(71,466)	5,896,376	6,352,354	5,874,486
Opening EV		1,106,457	4,838,615	(70,586)	5,874,486	6,636,329	6,636,329
Dividends		(318,556)			(318,556)	(439,259)	(439,259)
Adjusted EV at the beginning of the year		787,901	4,838,615	(70,586)	5,555,930	6,197,070	6,197,070
EV earnings		181,561	159,765	(880)	340,446	155,284	(322,584)
Reversal of impact of economic assumption changes		(4,686)	47,664	5,233	48,211	105,446	
Reversal of impact of banking system and data issues pertaining to DebiCheck			25,924		25,924		
Reversal of impact of once-off incentive scheme changes					–	21,275	
Recurring EV Earnings	1	176,875	233,353	4,353	414,581	282,005	
Annualised Recurring Return on EV	1				14.9%	9.1%	
Annualised Return on EV					12.3%	5.0%	(5.2%)
Components of EV earnings							
VNB excluding uncovered expenses in the last quarter		(314,020)	443,742	(4,841)	124,881	50,913	68,868
COVID-19 impact: once-off impact on new business	2						(159,417)
VNB including COVID-19 impact in the last quarter		(314,020)	443,742	(4,841)	124,881	50,913	(90,549)
Expected return on covered business			249,896	17,082	266,978	318,359	624,896
Expected profit transfer		450,009	(450,009)		–	–	–
Expected return on ANW		19,892			19,892	39,544	80,676
Withdrawal and unpaid premium experience variance		38,557	(2,985)	(7,614)	27,958	(74,467)	(140,518)
Changes in non-economic assumptions and modelling		(1,587)	(8,575)	33	(10,129)	177	(152,956)
Claims and reinsurance experience variance		336			336	2,826	5,655
<i>Experience before utilisation of COVID-19 risk reserve (net of reinsurance)</i>					(11,625)		
<i>Utilisation of COVID-19 risk reserve (net of reinsurance)</i>					11,961		
COVID-19 impact on existing business	3	(20,855)			(20,855)		(892,243)
Set-up costs for new and discontinued ventures					–	(12,403)	(20,926)
YTI guarantee cost in respect of B-BBEE share financing		(2,374)			(2,374)	(2,089)	(4,514)
Bonus Rights Scheme		1,074			1,074	773	4,129
Goodwill and Medium-term Incentive scheme		(3,159)	(24,803)		(27,962)	(10,376)	13,205
Sundry experience variance		4,881	163		5,044	(3,197)	(2,637)
EV operating return		172,754	207,429	4,660	384,843	310,060	(575,782)
Investment return variances on ANW		4,121		(307)	3,814	(28,055)	(68,418)
Impact of economic assumption changes		4,686	(47,664)	(5,233)	(48,211)	(105,446)	321,616
Impact of once-off incentive scheme changes						(21,275)	
EV earnings		181,561	159,765	(880)	340,446	155,284	(322,584)

Group Embedded Value results *continued*

Notes

Note 1

As a consequence of COVID-19 and lockdown, the change in EV was negative for the financial year ending 30 June 2020 and any split between recurring and once-off items would be spurious due to the inter-relationship of various factors following the shutdown of much of the new business operations for a few months.

Note 2

Uncovered expenses in the last quarter of the financial year ending 30 June 2020 as a consequence of new business being minimal due to COVID-19 lockdown restrictions.

Note 3

The COVID-19 impact for the financial year ending 30 June 2020 includes the expected short-term worsening in mortality and morbidity, allowance for an expected worsening of premium collections and a worsening in future lapse experience, as well as higher per policy expenses into the future. The impact for the period ending 31 December 2020 allows for the continued increase in the expected short-term worsening of mortality and morbidity experience. This can be split as follows:

(R'000's)	Six months ended 31 December		Year ended 30 June
	2020	2019	2020
Expense assumption changes (primarily as a consequence of the smaller insurance book following 3 months of minimal new business during COVID-19 lockdown)			(157,210)
COVID-19 risk reserve (net of tax and net of reinsurance recoveries)	(20,855)		(13,907)
Withdrawal assumption change due to COVID-19 and lockdown impact on the economy			(721,126)
COVID-19 impact: Existing business	(20,855)	–	(892,243)
COVID-19 impact: Once-off impact on new business	2	–	(159,417)
COVID-19 impact	(20,855)	–	(1,051,660)



Clientèle Limited

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

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);
ADT Enthoven BA, PhD (Political Science); GK Chadwick MAgric, MBA*; B du Toit BCom*;
PR Gwangwa BProc LLB, LLM; LED Hlatshwayo CA(SA), MBA; IB Hume CA(SA), ACMA*; BY Mkhondo BCom,
MBA; PG Nkadameng BSc Statistics and Economics, BA Stott CA(SA); RD Williams BBusSc(Hons), FASSA
(*Executive Director) (#Alternate Director)

Company secretary: W van Zyl CA(SA)



website: www.clientele.co.za • e-mail: results@clientele.co.za



Clientèle Head Office
+27 (0)11 320 3000



Fax:
+27 (0)11 320 3133



E-mail:
services@clientele.co.za



Physical Address
Clientèle Office Park
Cnr Rivonia and Alon Road
Morningside, 2196

Long-term insurance policies are underwritten and administered by Clientèle Life Assurance Company Limited, an authorised financial services provider and licensed insurer: FSP 15268.

Short-term insurance policies are underwritten and administered by Clientèle General Insurance Limited, an authorised financial services provider and licensed insurer: FSP 34655.