OUTSURANCE Holdings Limited

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

Contents

OUTsurance Holdings Limited

1997/022260/06

Certain entities within the OUTsurance Holdings Limited Group are authorised financial services providers.

Introduction

THIS REPORT COVERS THE CONSOLIDATED FINANCIAL RESULTS OF OUTSURANCE HOLDINGS LIMITED (THE GROUP) FOR THE SIX MONTHS ENDED 31 DECEMBER 2015. THE FINANCIAL RESULTS ARE PREPARED BASED ON INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND ARE UNAUDITED.

Jan Hofmeyr, CA (SA), supervised the preparation of the consolidated financial results.

The Group provides short and long-term insurance products in South Africa, Australia, New Zealand and Namibia. We abide by a simple client centric ethos of providing value for money insurance solutions backed by awesome client service. The Group is 83% owned by Rand Merchant Investment Holdings which is listed on the Johannesburg Securities Exchange.

Financial performance highlights

up by 18%
R7 232 million
GROSS WRITTEN PREMIUM

up by 23%
25.6 cents
DILUTED HEADLINE EARNINGS PER SHARE

up by 14%
16,5 cents
ORDINARY DIVIDEND PER SHARE

up by 9%
R2 146 million
ANNUALISED NEW BUSINESS WRITTEN

up by 25%
R923 million
HEADLINE EARNINGS

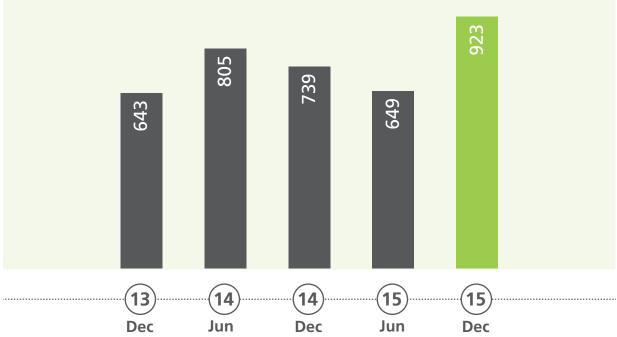
Overview of results

THE GROUP DELIVERED A PLEASING OPERATIONAL AND FINANCIAL PERFORMANCE FOR THE SIX MONTHS TO 31 DECEMBER 2015. THE GROUP'S DILUTED HEADLINE EARNINGS PER SHARE INCREASED BY 23%. THE GROWTH IN THE PROFITABILITY IS ATTRIBUTED TO A SIGNIFICANT IMPROVEMENT IN YOUI'S PROFITABILITY COUPLED WITH A CONSISTENT IMPROVEMENT IN THE RESULTS OF THE SOUTHERN AFRICAN OPERATION.

The improved performance of Youi Australia is attributed to an increased underwriting margin which benefitted from relatively benign weather conditions and a notable improvement in cost efficiency. Youi Australia generated a profit of R201 million for the period under review.

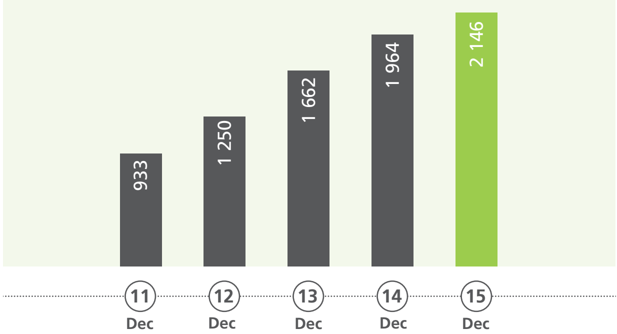
The profitability of OUTsurance benefitted from premium growth, cost efficiency and growth in investment income. OUTsurance grew headline earnings by 10% to R783 million.

Headline earnings (six-monthly breakdown) (R'million)



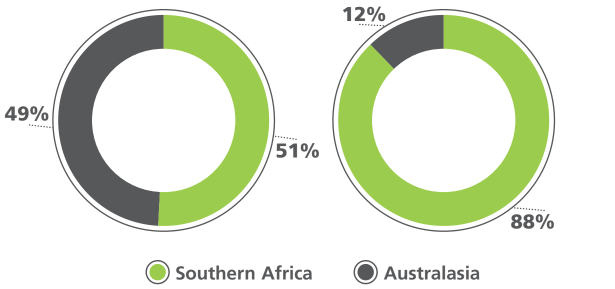
The Group's premium revenue increased by 17.6% driven by continued strong growth in the Australasian operation. In Australian dollar terms, the Youi Group grew gross written premiums by 26% from a higher base. In South Africa, OUTsurance delivered satisfactory growth in premiums of 7.3%.

Annualised new business written (R'million)

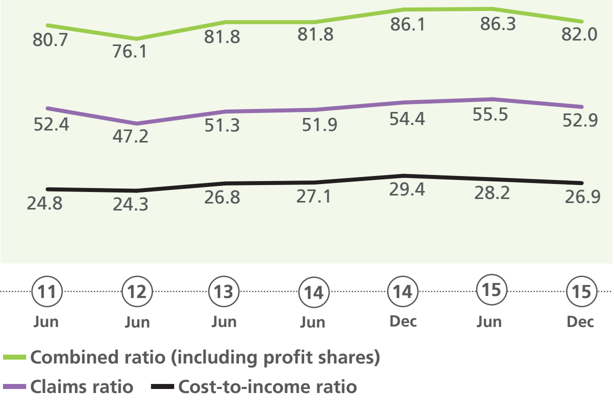


Aided by strong growth and the positive impact of currency translation, Youi's contribution to Group revenue and earnings continues to grow. The Youi Group now comprises 49% of the Group's revenue and represents 12% of the Group's profitability.

Geographical diversification (%)



Key ratios (%)



The Group's claims ratio for the six month period decreased from 54.4% to 52.9% as a result of the improved performance of Youi Australia. The cost-to-income ratio decreased in line with efficiency gains across most operations, most notably Youi Australia. These improvements resulted in the Group delivering an 82% combined ratio.

Group – key performance indicators

	Six months ended 31 December			Year ended 30 June
	2015	2014	% change	**2015**
Gross written premium (R'million)	**7 232**	6 151	17.6%	**12 469**
Headline earnings (R'million)	**923**	739	24.9%	**1 388**
Headline ROE (%)[1]	**37.1%**	32.1%		**30.9%**
Headline earnings per share (cents)	**26.5**	21.2	25%	**39.9**
Diluted headline earnings per share (cents)	**25.6**	20.9	22.5%	**39.2**
Dividend declared per share (cents)	**16.5**	14.5	13.8%	**30.5**
Claims ratio (including non-claims bonuses) (%)	**52.9%**	54.4%		**55.5%**
Cost-to-income ratio (%)	**26.9%**	28.1%		**28.2%**
Combined ratio[2] (%)	**82.0%**	84.8%		**86.3%**

[1] *Attributable to ordinary shareholders.*
[2] *After profit share distributions paid to FirstRand Limited.*

Sources of headline earnings

The various operating entities contributed to the Group result as follows:

	Six months ended 31 December			Year ended 30 June
	2015	2014	% change	**2015**
OUTsurance	**783**	711	10.1%	**1 443**
OUTsurance Life	**24**	11	>100%	**38**
OUTsurance Namibia (49%)	**6**	8	(25%)	**15**
Central (including consolidation adjustments)	**6**	5	20%	**(5)**
Youi Group	**113**	5	>100%	**(110)**
Youi Australia	**201**	66	>100%	**51**
Youi New Zealand	**(70)**	(45)	(55.6%)	**(130)**
Central funding costs	**(18)**	(16)	(12.5%)	**(31)**
Non-controlling interest	**(9)**	(1)	(>100%)	**7**
Headline earnings	**923**	739	24.9%	**1 388**

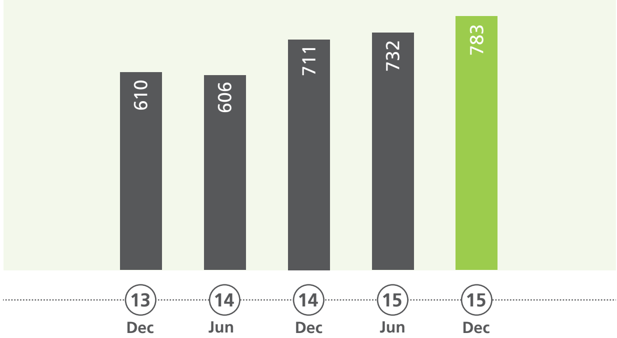
BUSINESS UNIT PERFORMANCE

OUTsurance

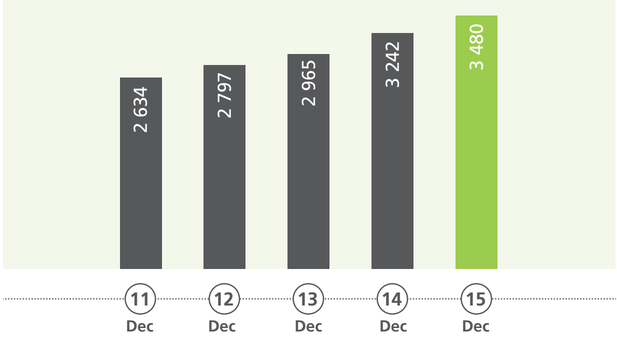
OUTsurance delivered a pleasing financial performance for the six months under review. The business grew headline earnings by 10.1% to R783 million. The growth in profitability is attributed to solid premium growth coupled with an improvement in the cost-to-income ratio.

The graph below provides a breakdown of the six-monthly earnings performance of OUTsurance:

Headline earnings (six-monthly breakdown) (R'million)



Gross written premium revenue increased by 7.3%. The core personal lines operation, which excludes the FirstRand Homeowners arrangement, grew premiums by 7.6% benefitting from premium inflation and an increase in business volumes. Business OUTsurance delivered strong premium growth of 12%.

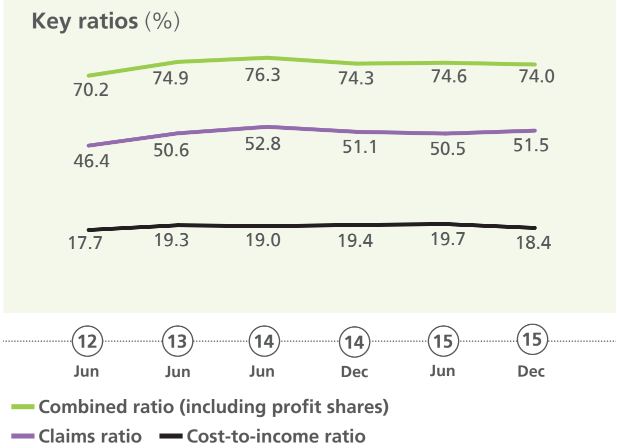


Key ratios (%)

OUTsurance realised a claims ratio of 51.5% for the six months which is in line with the comparative result. Claims expenses benefitted from relatively lower weather related claims frequencies as a result of the local drought conditions. The claims ratio continues to track below the long-term target.

The cost-to-income ratio improved from 19.4% to 18.4% as a result of reduced marketing expenditure and a growth rate in operational expenditure which was below premium growth.

The graph below compares the key ratios of the current and comparative interim periods against the recent full year outcomes.



OUTsurance – key performance indicators

	Six months ended 31 December			Year ended 30 June
R'million	**2015**	2014	% change	**2015**
Gross written premium	**3 480**	3 242	7.3%	**6 580**
Net earned premium	**3 414**	3 200	6.7%	**6 490**
Headline earnings	**783**	711	10.1%	**1 443**
Claims ratio (including bonuses) (%)	**51.5%**	51.1%		**50.5%**
Cost-to-income ratio (%)	**18.4%**	19.4%		**19.7%**
Combined ratio (%)[1]	**74.0%**	74.3%		**74.6%**

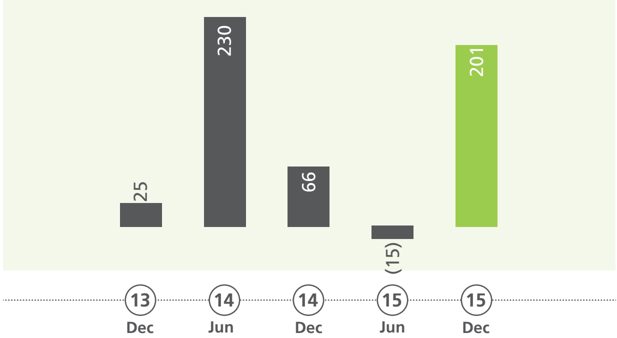
[1] *After profit share distributions paid to FirstRand Limited.*

YOUI

The Youi Group delivered a pleasing financial and operational performance for the six months under review. Youi's profitability benefitted from reduced weather related claims and a reduction in the cost-to-income ratio.

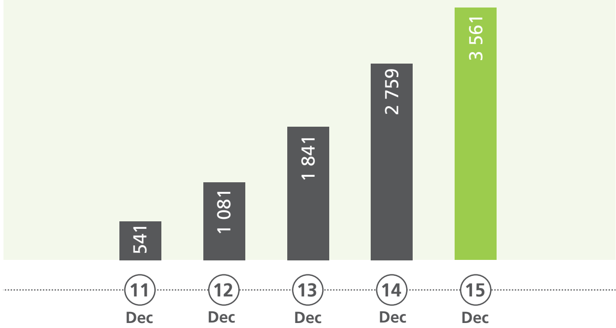
Youi New Zealand generated a start-up loss of R70 million for the six month period which compares favourably to the R85 million loss of the immediately preceding six months. Youi New Zealand, which was launched in August 2014, continues to perform in line with expectations and is gaining traction in the New Zealand personal lines market.

YOUI Australia – headline earnings (six-monthly breakdown) (R'million)



Gross written premium income for the Youi Group grew to R3 561 million for the six month period which represents 29% and 26% growth in Rand and Australian Dollar terms respectively. Youi Australia's market share of the domestic vehicle and home markets continues to expand as new business volumes are sustained.

YOUI Group – gross written premium (R'million)

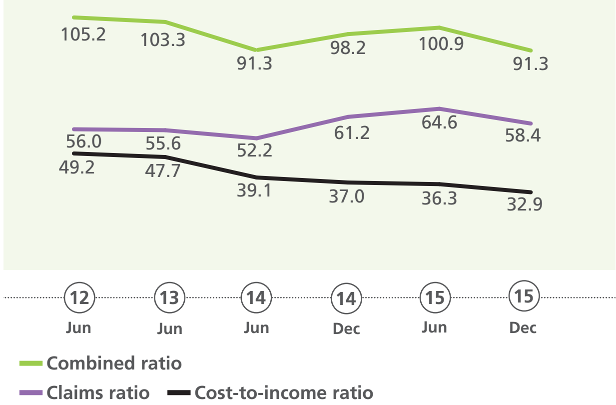


Youi Australia's combined ratio decreased from 98.2% in the comparative period to 91.3% driven by the improvement in both the claims and cost-to-income ratio. The reduction in the cost-to-income ratio is particularly pleasing in the context of our objective to reduce earnings volatility brought about by severe weather events.

Claims repair and replacement costs in Australia have been subject to inflationary pressures as a result of the weaker Australian Dollar against major currencies. Youi Australia's claims ratio continues to outperform the industry experience.

The graph below compares the key ratios of the current and comparative interim periods against the recent full year outcomes.

YOUI Australia – key ratios (%)



Youi Group – key performance indicators

	Six months ended 31 December 2015	2014	% change	Year ended 30 June 2015
Rand (R'million)				
Gross written premium	**3 561**	2 759	29.1%	**5 572**
Net earned premium	**2 813**	2 109	33.3%	**4 363**
Headline earnings attributable to ordinary shareholders	**113**	5	>100%	**(110)**
Australian Dollars ($'million)				
Gross written premium	**357**	283	26.2%	**588**
Net earned premium	**283**	217	30.4%	**462**
Headline earnings attributable to ordinary shareholders	**11**	1	>100%	**(12)**
Ratios				
Claims ratio (%)	**58.6%**	61.0%		**64.8%**
Cost-to-income ratio (%)	**35.6%**	39.4%		**39.6%**
Combined ratio (%)	**94.2%**	100.4%		**104.4%**
AUD/ZAR exchange rate				
– Closing	**11.31**	9.44	19.8%	**9.35**
– Average	**9.95**	9.72	2.4%	**9.45**

Youi Australia – key performance indicators

	Six months ended 31 December 2015	2014	% change	Year ended 30 June 2015
Rand (R'million)				
Gross written premium	**3 421**	2 718	25.9%	**5 409**
Net earned premium	**2 793**	2 100	33.0%	**4 362**
Headline earnings attributable to ordinary shareholders	**201**	66	>100%	**51**
Australian Dollars ($'million)				
Gross written premium	**344**	280	22.9%	**572**
Net earned premium	**281**	217	29.5%	**462**
Headline earnings attributable to ordinary shareholders	**20**	7	>100%	**5**
Ratios				
Claims ratio (%)	**58.4%**	61.2%		**64.6%**
Cost-to-income ratio (%)	**32.9%**	37.0%		**36.3%**
Combined ratio (%)	**91.3%**	98.2%		**100.9%**

Due to the relatively short trading history of Youi New Zealand, a deferred tax asset relating to the assessed loss of the business is not yet recognised. For the same reason, acquisition costs incurred during the period did not qualify for deferral in line with the Group's accounting policy to defer acquisition costs for parties with a contractual term of one year or more.

Youi New Zealand – key performance indicators

	Six months ended 31 December			Year ended 30 June
	2015	2014	% change	**2015**
Rand (R'million)				
Gross written premium	**140**	42	>100%	**163**
Net earned premium	**20**	1	>100%	**1**
Headline earnings attributable to ordinary shareholders	**(70)**	(45)	(55.6%)	**(130)**
Australian Dollars ($'million)				
Gross written premium	**14**	4	>100%	**19**
Net earned premium	**2**	<1	>100%	**<1**
Headline earnings attributable to ordinary shareholders	**(7)**	(5)	(40%)	**(15)**
Ratios				
Claims ratio (%)	**77%**	>100%		**>100%**

As shown on page 3, the Youi Group incurred central funding costs of R18 million for the six months under review. The funding costs relate to an intragroup funding arrangement established to support the expansion into the New Zealand market and to support the high growth rate of the Australian business. The funding arrangement consists of long-term redeemable preference shares which were issued by Youi Holdings to OUTsurance. The instruments pay a market related yield and the income generated by OUTsurance is eliminated against this central cost upon Group consolidation. For the purpose of funding Youi Australia, the preference share structure is replicated between Youi Holdings and Youi Australia.

At 31 December 2015, the Group's effective interest in the Youi Group was 93%. Based on the number of share options currently in issue, the Group's interest can dilute to 80.5%.

OUTsurance Life

OUTsurance Life delivered 27.3% growth in premium income. Headline earnings grew by more than 100% driven by premium growth and an improvement in economies of scale. The embedded value has grown by 22.1% since June 2015. The embedded value is analysed on page 19.

OUTsurance Life – key performance indicators

	Six months ended 31 December			Year ended 30 June
R'million	**2015**	2014	% change	**2015**
Gross written premium	**191**	150	27.3%	**316**
Headline earnings	**24**	11	>100%	**38**
Embedded value	**668**	464	44%	**547**

OUTsurance Namibia

OUTsurance Namibia delivered strong premium growth of 19% on the back of growth in new business volumes. Headline earnings were however 23.5% lower on the back of new business strain introduced by the growth in sales.

OUTsurance Namibia – key performance indicators

	Six months ended 31 December			Year ended 30 June
R'million	**2015**	2014	% change	**2015**
Gross written premium	**100**	84	19%	**189**
Net earned premium	**94**	75	25.3%	**162**
Headline earnings	**13**	17	(23.5%)	**31**
Claims ratio (%)	**55.3%**	47.5%		**52.1%**

CAPITAL POSITION

At 31 December 2015, the regulated entities in the Group traded from adequate capital positions as summarised in the table below:

	Six months ended 31 December			Year ended 30 June
Capital adequacy ratio	**2015**	2014	Target CAR	**2015**
Group	**2.0**	1.8	1.2	**1.7**
Short-term insurance				
OUTsurance	**1.8**	1.7	1.2	**1.7**
OUTsurance Namibia	**1.3**	1.4	1.2	**1.6**
Youi Group	**2.4**	2.5	1.5	**2.1**
Long-term insurance				
OUTsurance Life	**6.2**	1.8	1.5	**1.6**

Over the last twelve months, Youi Australia received incremental capital contributions to support the rapid growth of the business coupled with the negative impact of severe weather events. Youi Australia is very well capitalised and maintains a conservative capital buffer to allow for the adverse impact of severe weather events.

The formal introduction of the Solvency Assessment and Management (SAM) regulatory regime, applicable to the South African operation, has been postponed to 1 January 2017. Based on the current calibration and interpretation of the standard formula, indications are that the capital adequacy ratio of both OUTsurance and OUTsurance Life will benefit from the application of SAM.

DIVIDENDS

The Group's interim dividend has grown by 13.8% to 16.5 cents per ordinary share. The slower growth in the dividend compared to headline earnings growth is attributed to Youi's retention of profits to support growth in Australia and New Zealand.

Cents per share	**2015**	2014	% change
Interim dividend	**16.5**	14.5	13.8%

The Group's dividend strategy allows for the payment of an ordinary dividend after taking into account the target regulatory capital requirement of the various licensed entities in the Group. The Group funds strategic growth initiatives as far as possible from retained earnings. The growth in the dividend may differ from the Group's underlying earnings growth due to changes in regulatory capital requirements in the various operating entities of the Group.

LOOKING FORWARD

Economic conditions in the South African economy have deteriorated since we last reported results. We expect higher interest rates and inflation to place further pressure on the South African consumer in the medium term. The weaker Rand is expected to drive premium inflation in response to higher vehicle repair and property replacement costs. These factors are expected to negatively impact growth in the core South African personal lines business.

We expect the Australasian operation to continue to deliver strong growth whilst continually enhancing our client proposition and service. The operating environment of Youi Australia is expected to be largely unchanged during the second half of the financial year. A weaker Australian Dollar is however expected to result in increased premium inflation. As Youi continues to scale, we expect to realise further efficiency and margin expansion.

The Group continues to refine its telematics strategy to respond to expected structural changes in the vehicle insurance market.

BASIS OF PRESENTATION

OUTsurance Holdings prepares its consolidated financial results in accordance with the Companies Act (71 of 2008) and IFRS, including IAS 34 Interim Financial Reporting. This circular should be read in conjunction with the Group's annual report for the year ending 30 June 2015 which is available at **www.outsurance.co.za.**

The accounting policies applied are consistent with those applied during the previous financial year.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material events, as defined in IAS 10, occurring between 31 December 2015 and the date of the authorisation of the interim results announcement.

LAURIE DIPPENAAR
Chairman
19 February 2016

WILLEM ROOS
Joint Chief Executive officer
19 February 2016

Headline earnings reconciliation

R'000	Six months ended 31 December 2015	2014	% change	Year ended 30 June 2015
IFRS profit attributable to equity holders	**932 882**	739 378	26.2%	**1 339 236**
Non-controlling interest	**(8 656)**	(682)	(>100%)	**6 968**
IFRS earnings attributable to ordinary shareholders	**924 226**	738 696	25.1%	**1 346 204**
Adjusted for:				
Impairment of available-for-sale reserve				**51 006**
(Gain)/loss on disposal of property and equipment	**(1 726)**	(128)		**(188)**
Tax effect of headline earnings adjustments	**506**	36		**(9 469)**
Headline earnings	**923 006**	738 603	25.1%	**1 387 553**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YOUR
LIFE
The 100% OUTbonus. All premiums back in cash after 15 claim-free years.

Consolidated statement of comprehensive income

for the six months ended 31 December 2015

	Six months ended 31 December 2015 R'000	2014 R'000	% change	Year ended 30 June 2015 R'000
Gross insurance premium written	**7 232 359**	6 151 406	17.6%	**12 468 507**
Outward reinsurance premiums	**(370 195)**	(214 008)	(73%)	**555 005**
Net premiums written	**6 862 164**	5 937 398	15.6%	**11 913 502**
Change in provision for unearned premiums	**(458 080)**	(490 439)	6.6%	**(765 573)**
Earned premiums, net of reinsurance	**6 404 084**	5 446 959	17.6%	**11 147 929**
Commission income	**38 481**	–	100%	**18 744**
Other income	**4 963**	5 059	(1.9%)	**10 329**
Investment income	**233 507**	195 728	19.3%	**406 186**
Net gains/(losses) on fair value adjustments on financial assets	**(70 003)**	2 901	>(100%)	**(54 312)**
Income	**6 611 032**	5 650 647	17%	**11 528 876**
Claims on insurance contracts net of reinsurance	**(3 246 779)**	(2 796 585)	(16.1%)	**(5 831 263)**
Gross insurance contract claims incurred	**(3 401 767)**	(3 089 105)	(10.1%)	**(6 554 744)**
Reinsurers' share of insurance contract claims	**154 988**	292 520	(47%)	**723 481**
Non-claims bonuses on insurance contracts	**(183 487)**	(151 076)	(21.5%)	**(315 157)**
Acquisition expenses	**(16 911)**	(11 172)	(51.4%)	**(34 634)**
Marketing and administration expenses	**(1 752 306)**	(1 526 352)	(14.8%)	**(3 149 384)**
Transfer to policyholder liabilities under insurance contracts	**39 826**	(17 781)	>100%	**(41 351)**
Fair value adjustment to financial liabilities	**(99 890)**	(89 291)	(11.9%)	**(200 642)**
Result of operating activities	**1 351 485**	1 058 390	27.7%	**1 956 445**
Finance charges	**(9)**	(271)	96.7%	**(465)**
Equity accounted earnings from associate	**6 478**	8 317	(22.1%)	**15 026**
Profit before taxation	**1 357 954**	1 066 436	27.3%	**1 971 006**
Taxation	**(425 072)**	(327 058)	(30%)	**(631 770)**
Net profit for the period	**932 882**	739 378	26.2%	**1 339 236**
Other comprehensive income				
Fair value gains and losses on available-for-sale financial instruments	**(27 710)**	(54 218)	48.9%	**16 538**
Deferred income tax relating to available-for-sale financial instruments	**5 173**	10 121	48.9%	**(3 087)**
Exchange differences on foreign operations	**428 190**	(97 252)	>100%	**(141 592)**
Total comprehensive income for the period	**1 338 535**	598 029	>100%	**1 211 095**
Net profit attributable to:				
Ordinary shareholders	**924 226**	738 696	25.1%	**1 346 204**
Non-controlling interest	**8 656**	682	>100%	**(6 968)**
Net profit for the period	**932 882**	739 378	26.2%	**1 339 236**
Total comprehensive income attributable to:				
Ordinary shareholders	**1 329 879**	597 347	>100%	**1 218 063**
Non-controlling interest	**8 656**	682	>100%	**(6 968)**
Total comprehensive income for the period	**1 338 535**	598 029	>100%	**1 211 095**

Consolidated statement of financial position

at 31 December 2015

	Six months ended 31 December 2015 R'000	Six months ended 31 December 2014 R'000	Year ended 30 June 2015 R'000
ASSETS			
Property and equipment	**698 126**	512 008	**520 642**
Employee benefits	**38 316**	78 198	**64 100**
Investment in associates	**30 433**	26 066	**32 775**
Reinsurers' share of insurance contract provisions	**331 152**	388 253	**568 845**
Deferred acquisition costs	**411 053**	363 495	**332 434**
Financial assets			
Fair value through profit and loss	**2 606 917**	2 610 374	**2 804 989**
Available-for-sale	**1 374 368**	1 228 040	**1 305 922**
Loans and receivables	**2 767 112**	1 663 554	**1 955 614**
Deferred income tax	**106 310**	176 643	**188 295**
Tax receivable	**2 028**	3 015	**526**
Cash and cash equivalents	**5 536 939**	3 657 394	**4 072 772**
TOTAL ASSETS	**13 902 754**	10 707 040	**11 846 914**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	**34 857**	34 855	**34 843**
Share premium	**260 203**	258 127	**249 923**
Other reserves			
Share-based payment reserve	**8 822**	2 941	**2 914**
Foreign currency translation reserve	**611 688**	227 838	**183 498**
Available-for-sale reserve	**61 287**	26 276	**83 824**
Retained earnings	**4 381 938**	3 920 739	**4 019 227**
Total shareholders' equity	**5 358 795**	4 470 776	**4 574 229**
Non-controlling interest	**140 307**	138 290	**136 344**
TOTAL EQUITY	**5 499 102**	4 609 066	**4 710 573**
LIABILITIES			
Insurance contract liabilities	**6 867 403**	5 124 684	**5 936 745**
Employee benefits	**112 655**	89 932	**138 287**
Share based payment liability	**132 822**	108 195	**147 151**
Financial liabilities at fair value through profit and loss	**129 189**	89 292	**107 063**
Tax liabilities	**44 329**	37 727	**42 016**
Financial liabilities held at amortised cost			
Insurance and other payables	**1 117 254**	648 144	**765 079**
TOTAL LIABILITIES	**8 403 652**	6 097 974	**7 136 341**
TOTAL EQUITY AND LIABILITIES	**13 902 754**	10 707 040	**11 846 914**

Consolidated statement of changes in equity

for the six months ended 31 December 2015

	Share capital R'000	Share Premium R'000	Available-for-sale reserves R'000	Currency translation reserve R'000	Share based payments reserve R'000	Retained earnings R'000	Total ordinary shareholders' interest R'000	Non-controlling interest R'000	Total R'000
Opening balance as at 1 July 2014	34 642	163 296	70 373	325 090	–	3 722 442	4 315 843	137 608	4 453 451
Total comprehensive income for the period	–	–	(44 097)	(97 252)	–	739 378	598 029	–	598 029
Issue of share capital	213	94 831	–	–	–	–	95 044	–	95 044
Share based payment	–	–	–	–	2 941	–	2 941	–	2 941
Profit attributable to minorities	–	–	–	–	–	(682)	(682)	682	–
Ordinary dividend paid	–	–	–	–	–	(540 399)	(540 399)	–	(540 399)
Balance at 31 December 2014	34 855	258 127	26 276	227 838	2 941	3 920 739	4 470 776	138 290	4 609 066
Opening balance as at 1 July 2015	**34 843**	**249 923**	**83 824**	**183 498**	**2 914**	**4 019 227**	**4 574 229**	**136 344**	**4 710 573**
Total comprehensive income for the period	**–**	**–**	**(22 537)**	**428 190**	**–**	**932 882**	**1 338 535**	**–**	**1 338 535**
Issue of share capital	**14**	**10 280**	**–**	**–**	**–**	**–**	**10 294**	**–**	**10 294**
Share based payment	**–**	**–**	**–**	**–**	**5 908**	**–**	**5 908**	**–**	**5 908**
Share option expense transferred to retained earnings	**–**	**–**	**–**	**–**	**–**	**(2 236)**	**(2 236)**	**(4 693)**	**(6 929)**
Profit attributable to minorities	**–**	**–**	**–**	**–**	**–**	**(8 656)**	**(8 656)**	**8 656**	**–**
Ordinary dividend paid	**–**	**–**	**–**	**–**	**–**	**(559 279)**	**(559 279)**	**–**	**(559 279)**
Balance at 31 December 2015	**34 857**	**260 203**	**61 287**	**611 688**	**8 822**	**4 381 938**	**5 358 795**	**140 307**	**5 499 102**

Consolidated statement of cash flows

for the six months ended 31 December 2015

	Six months ended 31 December 2015 R'000	Six months ended 31 December 2014 R'000	Year ended 30 June 2015 R'000
OPERATING ACTIVITIES			
Cash generated by operations	**1 596 938**	1 427 124	**3 115 048**
Finance charges	**(9)**	(271)	**(465)**
Taxation paid	**(337 103)**	(269 021)	**(594 089)**
Share option expense transferred to retained earnings	**(6 929)**	–	**(3 631)**
Ordinary dividends paid	**(559 279)**	(540 399)	**(1 045 788)**
Preference dividends paid	**(107 062)**	(105 487)	**(199 067)**
Cash inflow from operating activities	**586 556**	511 946	**1 272 008**
INVESTING ACTIVITIES			
Intellectual property			
Payments	**(7 182)**	(8 826)	**(26 900)**
Settlements	**111**	1 297	**671**
Property and equipment acquired to maintain operations	**(218 149)**	(65 865)	**(139 505)**
Proceeds on disposal of property and equipment	**15 991**	281	**651**
Proceeds on disposal of financial assets	**1 675 920**	2 697 554	**4 130 569**
Purchase of financial assets	**(1 614 708)**	(2 869 773)	**(4 510 624)**
Cash outflow from investing activities	**(148 017)**	(245 332)	**(545 138)**
FINANCING ACTIVITIES			
Proceeds from issue of shares to non-controlling interest	**–**	–	**5 704**
Purchase of treasury shares by share scheme participants	**82 428**	104 012	**104 012**
Purchase of treasury shares by share trust	**(72 134)**	(8 968)	**(17 184)**
Cash inflow from financing activities	**10 294**	95 044	**92 532**
Increase in cash and cash equivalents	**448 833**	361 658	**819 402**
CHANGE IN CASH AND CASH EQUIVALENTS			
Opening balance of cash and cash equivalents	**4 072 772**	3 437 023	**3 437 023**
Effect of exchange rates on cash and cash equivalents	**1 015 334**	(141 287)	**(183 653)**
Increase in cash and cash equivalents	**448 833**	361 658	**819 402**
Closing balance of cash and cash equivalents	**5 536 939**	3 657 394	**4 072 772**

Notes to the financial statements

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's Annual Financial Statements at 30 June 2015.

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

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments as measured on reporting date.

Level 2 – fair value is determined through valuation techniques based on observable market inputs. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Level 3 – fair value is determined through valuation techniques which use significant unobservable inputs.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Group at 31 December 2015				
Financial assets				
Equity securities				
Listed preference shares	**478 288**	**–**	**–**	**478 288**
Exchange traded funds	**245 077**	**–**	**–**	**245 077**
Debt securities				
Unlisted preference shares	**–**	**651 003**	**–**	**651 003**
Government, municipal and public utility securities	**–**	**649 531**	**–**	**649 531**
Money market securities <1 year	**–**	**1 309 940**	**–**	**1 309 940**
Money market securities >1 year	**–**	**647 446**	**–**	**647 446**
Total financial assets	**723 365**	**3 257 920**	**–**	**3 981 285**
Financial liabilities				
Debt securities				
Financial liabilities at fair value through profit and loss	**–**	**29 299**	**99 890**	**129 189**
Total financial liabilities	**–**	**29 299**	**99 890**	**129 189**
Group at 31 December 2014				
Financial assets				
Equity securities				
Listed preference shares	502 594	–	–	502 594
Exchange traded funds	181 708	–	–	181 708
Debt securities				
Unlisted preference shares	–	543 738	–	543 738
Government, municipal and public utility securities	–	534 782	–	534 782
Money market securities <1 year	–	1 400 784	–	1 400 784
Money market securities >1 year	–	674 808	–	674 808
Total financial assets	684 302	3 154 112	–	3 838 414
Financial liabilities				
Debt securities				
Financial liabilities at fair value through profit and loss	–	–	89 292	89 292
Total financial liabilities	–	–	89 292	89 292

FINANCIAL RISK MANAGEMENT continued

There were no transfers between categories for the six months ended 31 December 2015.

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

Level 1

The listed preference share and ordinary share investments comprise instruments which are listed on a securities exchange. The fair values of these investments are calculated based on the quoted closing prices of the individual investments on reporting date. The ordinary share investment is an investment in an exchange traded fund which tracks the performance of the top forty companies listed on the JSE. The exchange traded fund is listed on the Johannesburg Securities Exchange.

Level 2

The unlisted preference shares are redeemable with a notice period ranging from thirty days to three years. Dividend yields range from 50.8% to 68.3% of the prime overdraft rate. The fair value of the preference shares which are redeemable within one year from the reporting date is deemed to equal the redemption value. The fair value of the preference shares with a maturity date of longer than one year, is calculated on a discounted cash flow basis with the discount rate adjusted for changes in credit risk of the ultimate counterparty, being one of the large South African banks. Due to the redeemable nature, the preference shares are deemed to be debt securities. Included in the financial liabilities at fair value through profits or loss are the zero coupon deposits.

The fair value of the zero coupon deposits disclosed as financial liabilities, are determined with reference to changes in the risk free interest rates from the date of the transaction to the valuation date.

Level 3

The financial liabilities at fair value through profit and loss represent profits arising out of the profit sharing arrangements that accrue on a monthly basis and which are distributed as preference dividends on a six monthly basis to the FirstRand Limited Group.

The table below analyses the movement of the level 3 financial instruments for the six months under review.

R'000	**Six months ended 31 December 2015**	Six months ended 31 December 2014
Opening balance at 1 July	**107 063**	105 488
Preference dividend paid	**(107 063)**	(105 487)
Preference dividend accrued	**99 890**	89 291
Closing balance at 31 December	**99 890**	89 292

SEGMENTAL REPORTING

For management purposes the Group is organised into business units based on product offering. Consequently the Group has the following three operating segments:

- Personal insurance: This segment provides short-term insurance products to individuals. Personal insurance business is conducted in OUTsurance, Youi Australia and Youi New Zealand;
- Commercial insurance: This segment provides short-term insurance products to small and medium sized businesses. Commercial business is conducted in OUTsurance; and
- Life Insurance: This segment provides long-term insurance products to individuals. Life insurance business is conducted in OUTsurance Life.

For OUTsurance, the Personal Segment includes both the Core Personal lines business and the business sourced as part of the Homeowners Cover arrangement with FirstRand Limited.

SEGMENTAL REPORTING continued

The information in the segment report is presented on the same basis as reported to management. Reporting adjustments are those accounting reclassifications and entries required to produce IFRS compliant results.

The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties.

	SHORT-TERM INSURANCE					LONG-TERM INSURANCE		
	OUTsurance							
	Personal R'000	Commercial R'000	OUTsurance Total R'000	Youi Australia Personal R'000	Youi New Zealand Personal R'000	OUTsurance Life R'000	Unallocated and consolidation R'000	Group Total R'000
Segmental income statement for the six months ended 31 December 2015								
Gross written premium	3 007 624	472 159	3 479 783	3 421 478	139 756	191 342	–	7 232 359
Outward reinsurance premiums	(41 319)	(6 545)	(47 864)	(224 624)	(83 864)	(13 843)	–	(370 195)
Change in provision for unearned premium	(14 131)	(3 795)	(17 926)	(403 787)	(36 367)	–	–	(458 080)
Earned premium,net of reinsurance	2 952 174	461 819	3 413 993	2 793 067	19 525	177 499	–	6 404 084
Commission income	–	–	–	–	38 481	–	–	38 481
Other income	–	–	–	109	176	–	4 678	4 963
Claims on insurance contracts net of reinsurance	(1 393 302)	(185 195)	(1 578 497)	(1 632 239)	(15 027)	(21 016)		(3 246 779)
Cash bonuses on insurance contracts	(158 475)	(21 750)	(180 225)			(3 262)	–	(183 487)
Marketing, acquisition and administration expenses	(557 124)	(74 091)	(631 215)	(918 731)	(121 607)	(114 220)	16 556	(1 769 217)
Transfer to policyholder liabilities under insurance contracts	–	–	–	–	–	39 826	–	39 826
Fair value adjustment to financial liabilities	(99 890)	–	(99 890)	–	–	–	–	(99 890)
Underwriting result	743 383	180 783	924 166	242 206	(78 452)	78 827	21 234	1 187 981
Net investment income	–	–	175 540	49 686	8 461	(44 524)	(25 668)	163 495*
Share of profit of associate	–	–	–	–	–	–	6 478	6 478
Profit before tax	743 383	180 783	1 099 706	291 892	(69 991)	34 303	2 044	1 357 954

** includes unrealised fair value adjustments*

Notes to the financial statements continued

SEGMENTAL REPORTING continued

	Short-term insurance						Long-term insurance		
	OUTsurance								
	Personal R'000	Commercial R'000	Cell captives R'000	OUTsurance Total R'000	Youi Australia Personal R'000	Youi New Zealand Personal R'000	OUTsurance Life R'000	Unallocated and consolidation R'000	Group Total R'000
Segmental income statement for the six months ended 31 December 2014									
Gross written premium	2 793 291	423 951	25 015	3 242 257	2 717 555	41 823	149 771	–	6 151 406
Outward reinsurance premiums	(28 473)	(5 511)	–	(33 984)	(162 214)	(5 909)	(11 901)	–	(214 008)
Change in provision for unearned premium	(5 262)	(4 594)	1 293	(8 563)	(446 985)	(34 891)	–	–	(490 439)
Earned premium, net of reinsurance	2 759 556	413 846	26 308	3 199 710	2 108 356	1 023	137 870	–	5 446 959
Commission income	–	–	–	–	–	2 465	–	–	2 465
Other income	–	–	–	–	–	37	–	5 022	5 059
Claims on insurance contracts net of reinsurance	(1 290 334)	(180 250)	(12 039)	(1 482 623)	(1 284 407)	(1 724)	(27 831)	–	(2 796 585)
Cash bonuses on insurance contracts	(133 563)	(17 513)	–	(151 076)	–			–	(151 076)
Marketing, acquisition and administration expenses	(518 138)	(101 284)	(2 664)	(622 086)	(776 949)	(57 472)	(94 160)	10 678	(1 539 989)
Transfer to policyholder liabilities under insurance contracts	–	–	–	–	–		(17 781)	–	(17 781)
Fair value adjustment to financial liabilities	(80 974)	–	(8 317)	(89 291)	–	–	–	–	(89 291)
Underwriting result	736 547	114 799	3 288	854 634	47 000	(55 671)	(1 902)	15 700	859 761
Net investment income	–	–	–	145 683	47 455	10 971	8 917	(14 668)	198 358
Share of profit of associate	–	–	–	–	–	–	–	8 317	8 317
Profit before tax	736 547	114 799	3 288	1 000 317	94 455	(44 700)	7 015	9 349	1 066 436

* *includes unrealised fair value adjustments*

Calculation of earnings per share

	Six months ended 31 December		Year end 30 June
	2015	2014	**2015**
Basic headline earnings per share			
Headline earnings attributable to ordinary shareholders (R'000)	**923 006**	738 603	**1 387 555**
Weighted average number of shares in issue ('000)	**3 486 916**	3 478 537	**3 481 822**
Headline earnings per share – basic (cents)	**26,47**	21,23	**39,85**
Diluted headline earnings per share			
Headline earnings attributable to ordinary shareholders (R'000)	**923 006**	738 603	**1 387 555**
Diluted headline earnings attributable to Youi Holdings Group (R'000)	**(15 285)**	(678)	**–**
Diluted headline earnings attributable to ordinary shareholders (R'000)	**907 721**	737 925	**1 387 555**
Weighted average number of shares in issue ('000)	**3 486 916**	3 478 537	**3 481 822**
Dilution impact of share incentive scheme ('000)	**64 217**	56 787	**58 548**
Diluted weighted average number of shares in issue ('000)	**3 551 133**	3 535 324	**3 540 370**
Headline earnings per share – diluted (cents)	**25,56**	20,87	**39,19**
Total number of shares in issue ('000)	**3 518 163**	3 518 163	**3 518 163**

Outsurance life embedded value

EMBEDDED VALUE OF COVERED BUSINESS

Actuarial Practice Note ("APN") 107 governs the way in which embedded values of life insurance companies are reported.

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

The embedded value of covered business consists of:

- Adjusted net worth ("ANW"); plus
- The value of in-force covered business; less
- The cost of required capital.

The total profit recognised over the lifetime of a policy is the same as under International Financial Reporting standards ("IFRS") but the timing of recognition of profits is different.

Covered business is defined as business regulated by the FSB as long-term insurance business written in OUTsurance Life Insurance Company Limited ("OUTsurance Life").

The ANW represents the excess of assets over liabilities on the statutory valuation method.

The value of in-force covered business is the discounted value of the projected stream of after tax shareholder profits arising from existing in-force covered business. These shareholder profits arise from the release of margins under the statutory basis of valuing liabilities which differs from the release of profits on the published accounting basis.

The required capital is defined as the level of capital that is restricted for distribution to shareholders. This comprises the statutory CAR calculated in accordance with Standard Actuarial Practice ("SAP") 104 plus any additional capital considered appropriate by the Board given the risks of the business. The required capital has been set at 1.5 x CAR, which is the target CAR Ratio.

The cost of required capital is the present value, at the risk discount rate, of the projected release of the required capital allowing for investment returns on the assets supporting the projected required capital.

The value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued during the past 12 months. The value of new business is also reduced by the cost of required capital for new covered business. The value of new business has been calculated on closing assumptions. No adjustment has been made for the discounting of tax provisions in the embedded value.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (gross of reinsurance), which is defined as the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business.

This is the first year, OUTsurance Life is disclosing embedded value and comparatives have been provided.

The table below shows the components of the embedded value of OUTsurance Life at 31 December 2015 and comparative periods:

Embedded value

R'000	Six months ended 31 December 2015	Six months ended 31 December 2014	% change	Year ended 30 June 2015
Covered business ANW	**395 390**	254 839	55.2%	**331 452**
Free surplus	**307 283**	41 294	>100%	**58 621**
Required capital	**88 107**	213 545	(58.7%)	**272 831**
Present value of in-force business	**429 260**	348 373	23.2%	**383 738**
Cost of required capital	**(156 958)**	(138 765)	13.1%	**(168 594)**
Embedded value of covered business	**667 692**	464 447	43.8%	**546 596**
Return on embedded value (annualised)	**27.7%**	13.6%		**11.6%**

The embedded value of OUTsurance Life increased by 43.8% since December 2014 and by 22.2% since June 2015. A significant contributor to the growth in the embedded value relates to the implementation of an interest rate risk matching strategy implemented to hedge the unique risks associated with the OUTbonus product feature offered. This implementation occurred during the six months under review and has significantly reduced the regulatory capital requirement.

The table below shows the reconciliation of ordinary shareholders' funds to covered business ANW:

R'000	Six months ended 31 December 2015	Six months ended 31 December 2014	% change	Year ended 30 June 2015
Ordinary shareholders funds on a published basis	**491 308**	330 038	48.9%	**416 879**
Allowance for deferred acquisition costs in policyholder liabilities (net of tax)	**(95 918)**	(75 199)	27.6%	**(85 427)**
Covered business ANW	**395 390**	254 839	55.2%	**331 452**

Embedded value earnings

The tables below shows the components of the embedded value earnings of OUTsurance Life for the six months under review and comparative periods:

At 31 December 2015 (R'000)	Adjusted net worth	PVIF	Cost of required capital	**Embedded value**
Embedded value at end of the period	395 390	429 260	(156 958)	**667 692**
Capital injected	(50 000)	–	–	**(50 000)**
Embedded value at beginning of the period	(331 452)	(383 738)	168 594	**(546 596)**
Embedded value earnings for the period	13 938	45 522	11 636	**71 096**
Movement in allowance for deferred acquisition costs in policyholder liabilities (net of tax)	10 490			
Headline earnings	24 428			

At 31 December 2014 (R'000)	Adjusted net worth	PVIF	Cost of required capital	**Embedded value**
Embedded value at end of the period	254 839	348 373	(138 765)	**464 447**
Capital injected	–	–	–	**–**
Embedded value at beginning of the period	(257 575)	(287 859)	109 609	**(435 825)**
Embedded value earnings for the period	(2 736)	60 514	(29 156)	**28 622**
Movement in allowance for deferred acquisition costs in policyholder liabilities (net of tax)	13 424			
Headline earnings	10 688			

At 30 June 2015 (R'000)	Adjusted net worth	PVIF	Cost of required capital	**Embedded value**
Embedded value at end of the period	331 452	383 738	(168 594)	**546 596**
Capital injected	(60 000)	–	–	**(60 000)**
Embedded value at beginning of the period	(257 575)	(287 859)	109 609	**(435 825)**
Embedded value earnings for the period	13 877	95 879	(58 985)	**50 771**
Movement in allowance for deferred acquisition costs in policyholder liabilities (net of tax)	23 653			
Headline earnings	37 530			

Components of embedded value earnings

	Adjusted net worth	PVIF	Cost of required capital	**Embedded value**
At December 2015 (R'000)				
Value of new business at point of sale	–	52 082	(25 375)	**26 707**
New business strain at point of sale	(59 394)	59 394	–	**–**
Expected return on covered business	–	24 168	(3 389)	**20 779**
Expected profit transfer	65 913	(65 913)	–	**–**
Operating experience variances	1 834	(21 135)	3 027	**(16 274)**
Operating assumption and model changes	7 504	(1 613)	32 953	**38 844**
Embedded value earnings from operations	15 857	46 983	7 216	**70 056**
Investment return variances on in-force covered business	(47 478)	–	–	**(47 478)**
Investment return variances on adjusted net worth	10 905	–	–	**10 905**
Effect of economic assumption changes	34 654	(1 461)	4 420	**37 613**
Embedded value earnings for the period	**13 938**	**45 522**	**11 636**	**71 096**
At December 2014 (R'000)				
Value of new business at point of sale	–	44 820	(28 265)	**16 555**
New business strain at point of sale	(49 472)	49 472	–	**–**
Expected return on covered business	–	16 102	(3 352)	**12 750**
Expected profit transfer	50 192	(50 192)	–	**–**
Operating experience variances	(8 927)	(9 326)	6 052	**(12 201)**
Operating assumption and model changes	1 390	8 645	2 553	**12 588**
Embedded value earnings from operations	(6 817)	59 521	(23 012)	**29 692**
Investment return variances on in-force covered business	4 414	–	–	**4 414**
Investment return variances on adjusted net worth	4 987	–	–	**4 987**
Effect of economic assumption changes	(5 320)	993	(6 144)	**(10 471)**
Embedded value earnings for the period	**(2 736)**	**60 514**	**(29 156)**	**28 622**
At 30 June 2015 (R'000)				
Value of new business at point of sale	–	92 031	(54 037)	**37 994**
New business strain at point of sale	(110 605)	110 605	–	**–**
Expected return on covered business	–	38 892	(1 470)	**37 422**
Expected profit transfer	112 304	(112 304)	–	**–**
Operating experience variances	(1 775)	(33 203)	604	**(34 374)**
Operating assumption and model changes	3 093	3 894	(3 900)	**3 087**
Embedded value earnings from operations	3 017	99 915	(58 803)	**44 129**
Investment return variances on in-force covered business	4 108	–	–	**4 108**
Investment return variances on adjusted net worth	10 534	–	–	**10 534**
Effect of economic assumption changes	(3 782)	(4 036)	(182)	**(8 000)**
Embedded value earnings for the priod	**13 877**	**95 879**	**(58 985)**	**50 771**

Value of new business

The table below shows the value of new business written for the preceding twelve months:

R'000	Six months ended 31 December 2015	Six months ended 31 December 2014	% change	Year ended 30 June 2015
Gross value of new business	**104 165**	89 641	16.2%	**92 031**
Cost of required capital	**(50 750)**	(56 530)	(10.2%)	**(54 037)**
	53 415	33 111	61.3%	**37 994**
Present value of new business premiums	**736 208**	720 198		**763 930**
New business margin	**7.3%**	4.6%		**5.0%**

Sensitivity analysis

The table below provides an analysis of the sensitivities of the embedded value of the in-force book:

R'000	Gross value of in-force	Cost of required capital	Net value of in-force	% Change
at December 2015				
Base value at 31 December 2015	429 260	(156 958)	272 302	
1% increase in risk discount rate	414 122	(154 973)	259 149	**(4.8%)**
1% decrease in the interest rate environment	454 835	(211 197)	243 638	**(10.5%)**
10% decrease in maintenance expenses	443 118	(156 763)	286 355	**5.2%**
10% decrease in new business acquisition expenses	429 260	(156 958)	272 302	**–**
10% decrease in lapse rates	425 601	(169 567)	256 034	**(6.0%)**
5% decrease in morbidity and mortality rates	447 778	(157 175)	290 603	**6.7%**
at December 2014				
Base value at 31 December 2014	348 373	(138 765)	209 608	
1% increase in risk discount rate	334 854	(143 546)	191 308	**(8.7%)**
1% decrease in the interest rate environment	371 611	(130 023)	241 588	**15.3%**
10% decrease in maintenance expenses	361 090	(138 395)	222 695	**6.2%**
10% decrease in new business acquisition expenses	348 373	(138 765)	209 608	**–**
10% decrease in lapse rates	343 943	(144 265)	199 678	**(4.7%)**
5% decrease in morbidity and mortality rates	364 567	(138 020)	226 547	**8.1%**
at June 2015				
Base value at 30 June 2015	383 738	(168 594)	215 144	
1% increase in risk discount rate	368 815	(175 519)	193 296	**(10.2%)**
1% decrease in the interest rate environment	408 875	(180 272)	228 603	**6.3%**
10% decrease in maintenance expenses	396 784	(168 535)	228 249	**6.1%**
10% decrease in new business acquisition expenses	383 738	(168 594)	215 144	**–**
10% decrease in lapse rates	376 415	(174 335)	202 080	**(6.1%)**
5% decrease in morbidity and mortality rates	401 940	(168 445)	233 495	**8.5%**

The table below provides an analysis of the sensitivities of the value of new business written:

R'000	Gross value of in-force	Cost of required capital	Net value of in-force	% Change
at December 2015				
Base value at 31 December 2015	104 165	(50 750)	53 415	
1% increase in risk discount rate	97 792	(49 550)	48 242	**(9.7%)**
1% decrease in the interest rate environment	114 095	(33 653)	80 442	**50.6%**
10% decrease in maintenance expenses	108 583	(50 688)	57 895	**8.4%**
10% decrease in new business acquisition expenses	116 672	(50 750)	65 922	**23.4%**
10% decrease in lapse rates	113 211	(56 519)	56 692	**6.1%**
5% decrease in morbidity and mortality rates	108 752	(50 639)	58 113	**8.8%**
at December 2014				
Base value at 31 December 2014	89 641	(56 530)	33 111	
1% increase in risk discount rate	83 639	(58 169)	25 470	**(23.1%)**
1% decrease in the interest rate environment	99 597	(55 502)	44 095	**33.2%**
10% decrease in maintenance expenses	94 470	(56 411)	38 059	**14.9%**
10% decrease in new business acquisition expenses	100 085	(56 530)	43 555	**31.5%**
10% decrease in lapse rates	94 465	(60 026)	34 439	**4.0%**
5% decrease in morbidity and mortality rates	94 735	(56 488)	38 247	**15.5%**
at June 2015				
Base value at 30 June 2015	92 031	(54 037)	37 994	
1% increase in risk discount rate	85 701	(55 631)	30 070	**(20.9%)**
1% decrease in the interest rate environment	102 210	(61 361)	40 849	**7.5%**
10% decrease in maintenance expenses	96 590	(54 001)	42 589	**12.1%**
10% decrease in new business acquisition expenses	103 761	(54 037)	49 724	**30.9%**
10% decrease in lapse rates	98 330	(57 321)	41 009	**7.9%**
5% decrease in morbidity and mortality rates	97 183	(54 045)	43 138	**13.5%**

Economic assumptions

The following economic assumptions were used in calculating the embedded value at 31 December 2015 and the comparative periods:

	Six months ended 31 December		Year ended 30 June
	2015	2014	**2015**
Point used on the relevant yield curve (in years)	**11.2**	11.3	**12.5**
Fixed-interest securities (%)	**12.0%**	9.1%	**11.0%**
Inflation rate (%)	**10.1%**	7.5%	**8.8%**
Risk discount rate (%)	**16.9%**	13.8%	**15.9%**

Simplified group structure

SOUTHERN AFRICA

INSURANCE

Car | Home | Business | Life

OUTSURANCE

OUTsurance provides short-term insurance cover direct to the South African public. Its product range includes personal lines and commercial insurance products. OUTsurance was established in 1998.

100% owned

OUTSURANCE Life

OUTsurance Life is a start-up direct life insurer that offers basic and fully underwritten life insurance products to the South African market. OUTsurance Life was established in 2010.

100% owned

OUTSURANCE Namibia

OUTsurance Namibia was established in 2006 and provides personal lines and commercial lines short-term insurance products direct to the Namibian public. OUTsurance Namibia is 51% owned by FNB Namibia Holdings Limited.

49% owned

AUSTRALASIA

youi AUSTRALIA

In 2008, we launched Youi in Australia. The business provides personal lines short-term insurance cover direct to the Australian public.

93% owned

youi NEW ZEALAND

Youi New Zealand was launched in July 2014. The start-up operation provides personal lines insurance cover direct to the New Zealand public.

93% owned

INSURANCE

Car | Home

Definitions

Annualised premium income	Annualised premium value of all new client policies incepted during the period under review. This measure excludes the renewal of existing client policies.
Capital adequacy ratio (CAR)	Eligible capital divided by the solvency capital requirement.
Claims ratio	Net incurred claims including non-claims bonus costs divided by net earned premium. The Group claims ratio measure include policyholder liability transfers relating to long-term insurance business.
Combined ratio	Net incurred claims (including non-claims bonuses) plus total operating expenses plus profit share distributions dividend by net earned premium. This ratio provides a measure of the surplus generated from the Group's insurance activities.
Cost-to-income ratio	Total operating expenses dividend by net earned premium. Total operating expenses excludes profit share distributions to FirstRand Limited relating to the Homeowners Cover product.
Eligible capital	Total equity adjusted for asset inadmissibility and valuation differences per the local or group regulations.
Normalised earnings	Normalised earnings adjustments are applied where the Group believes that certain transactions creates a mismatch between the Group's accounting and economic performance. Normalised earnings is therefore considered to most accurately reflect the Group's economic performance.
Return on equity (ROE)	Headline earnings divided by average ordinary shareholders' equity.
Solvency capital requirement (SCR)/ Required capital	The amount of regulatory capital required as determined by the local regulatory authorities.
Weighted number of ordinary shares	Weighted number of ordinary shares in issue during the reporting period.
Actuarial Practice Note (APN) 107	The guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa.
Covered business	Business regulated by the FSB as long-term insurance business.
Embedded value (EV) of covered business	The present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. Consists of: • Adjusted net worth, plus • Value of in-force covered business, less • The cost of required capital.
Adjusted net worth (ANW)	Excess value of all assets attributed to covered business but not required to back the liabilities of covered business.
Free surplus	ANW less the required capital attributed to covered business.
Value of in-force covered business	The discounted value of the projected stream of after tax shareholder profits arising from existing in-force covered business.
Cost of required capital	The present value, at the risk discount rate, of the projected release of the required capital allowing for investment returns on the assets supporting the projected required capital.
Value of new business	Present value of the expected after-tax shareholder cash flows less cost of required capital arising at the point of sale in respect of new covered business contracts sold in the reporting period.
Profitability of new covered business	Ratio of the net value of new business to present value of new business premiums (gross of reinsurance).
Present value of new business premiums	The discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business.

Company information

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H Aron (CEO)
HL Bosman (CEO of RMI Holdings)
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AW Hedding
F Knoetze
J Madavo
G Marx
NL Nightingale
K Pillay
PR Pretorius
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