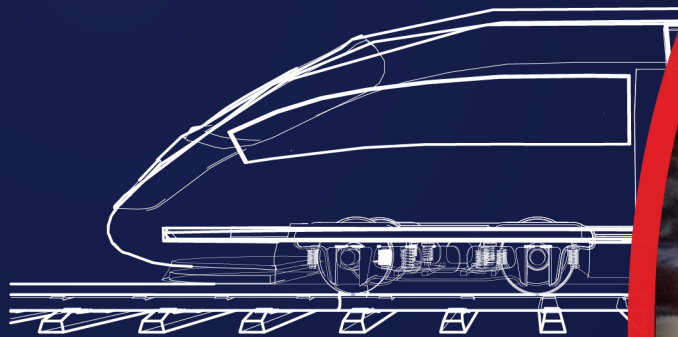


Operating Update

For the year ended 30 June 2022



MOMENTUM METROPOLITAN HOLDINGS LIMITED
 Incorporated in the Republic of South Africa
 Registration number: 2000/031756/06
 JSE share code: MTM
 A2X share code: MTM
 NSX share code: MMT
 ISIN code: ZAE000269890
 (Momentum Metropolitan or the Group)

MOMENTUM METROPOLITAN LIFE LIMITED
 Incorporated in the Republic of South Africa
 Registration number: 1904/002186/06
 LEI: 378900E0A78B7549C212
 Company code: MMIG
 (Momentum Metropolitan Life)

OPERATIONAL UPDATE FOR THE 12 MONTHS ENDED 30 JUNE 2022

Summary of key metrics

Key metrics	F2022	F2021	Δ
Earnings per share (cents)	260.6	31.3	>100%
Headline earnings per share (cents)	297.3	30.9	>100%
Normalised headline earnings per share (cents) ¹	287.2	67.1	>100%
Normalised headline earnings (R million)	4 383	1 007	>100%
Operating profit (R million) ²	3 363	73	>100%
Investment return (R million)	1 020	934	9%
New business (PVNBP, R million)	72 673	65 898	10%
Value of new business (VNB, R million)	626	725	(14)%
New business margin	0.9%	1.1%	
Diluted embedded value per share (Rand)	29.77	27.08	10%
Return on embedded value per share	11.7%	6.3%	
Return on embedded value	11.6%	7.3%	
Return on equity ³	22.7%	4.9%	
Dividend per share (cents)	100	40	>100%

¹ Normalised headline earnings adjust the JSE definition of headline earnings for the dilutive impact of finance costs related to preference shares that can be converted into ordinary shares of the Group, the impact of treasury shares held by policyholder funds and the iSabelo Trust, the amortisation of intangible assets arising from business combinations, Broad-based black economic empowerment (B-BBEE) costs and the amortisation of the discount at which the iSabelo Trust acquired the Momentum Metropolitan treasury shares. The adjustment for the impact of treasury shares removes mismatches that are unique to financial institutions that invest in their own securities on behalf of clients.

² Operating profit represents the profits (net of tax) that are generated from the Group's operational activities and reflects normalised headline earnings excluding the investment return on shareholder funds.

³ Return on equity expresses normalised headline earnings as a percentage of start-of-year net asset value, adjusted for the items outlined in footnote 1, and the adjusting items to determine headline earnings.

MOMENTUM METROPOLITAN EARNINGS SOAR

Declares strong dividend and solidifies competitive position

Introduction

We are pleased with Momentum Metropolitan's financial results for the past year, and we are also encouraged by the progress made with a wide range of strategic initiatives – the impact of which is not yet fully reflected in this set of results.

There was no single factor that caused the good outcome, but it is the result of almost all our businesses performing at, or close to potential. The results were positively impacted by improved mortality rates, releases of Covid-19 reserves and positive investment variances and returns.

Overview of financial results

The Group delivered normalised headline earnings of R4 383 million for the 12 months ended 30 June 2022, significantly higher than the prior year. It is noted that the prior year's results are not directly comparable to the current year as the prior year results were severely impacted by the Covid-19 pandemic and included a net mortality loss of R2 823 million. The Group's solid performance during F2022 follows the less severe impacts of Covid-19 on earnings, with mortality starting to improve over the third and fourth quarters. With the positive earnings impact from the partial release of opening Covid-19 provisions, mortality contributed positively to the normalised headline earnings of the Group, by R105 million.

The current year's results suggest that Momentum Metropolitan is on track to deliver the results targeted in our Reinvent and Grow strategic roadmap. The operating environment, however, continues to present multiple challenges. Having started to recover from the effects of the Covid-19 pandemic, South Africa has been hit by further shocks in the form of destructive protests and riots, severe flooding in KwaZulu-Natal, frequent electricity loadshedding, high fuel prices, and rising food inflation. As Momentum Metropolitan we will continue to make every effort to look after the financial needs of our policyholders and to generate value to shareholders despite this difficult backdrop.

Operating profit improved significantly to R3 363 million, from R73 million in the prior year. This improvement was supported by the improved mortality results, as well as a strong improvement in investment variances. All South African life insurance business units grew operating earnings. Momentum Insure and Momentum Metropolitan Africa reported significantly lower operating earnings. Momentum Insure was negatively affected by severe weather-related claims. Momentum Metropolitan Africa experienced large mortality losses in the first half of F2022.

The Group's investment return improved by 9% to R1 020 million, aided by the general recovery of investment markets, fair value gains from the revaluation of the Group's investment in venture capital funds, and foreign exchange gains on foreign currency-based assets.

Normalised headline earnings per share increased from 67.1 cents to 287.2 cents. Headline earnings per share increased from 30.9 cents to 297.3 cents and earnings per share improved from 31.3 cents to 260.6 cents.

The Group's PVNBP was R72.7 billion, representing a 10% improvement from the prior year. This upswing was driven by strong growth in Momentum Corporate's recurring premiums on group risk products and single premium investments from large corporate clients, specifically in the last quarter of the financial year. Metropolitan Life continued to achieve a strong increase in protection and annuity PVNBP, while Momentum Metropolitan Africa also saw good new business growth, mainly from corporate business. Although Momentum Investments new business volumes slowed in the fourth quarter, PVNBP for F2022 increased solidly by 2% on an already strong base in the prior year. Momentum Life PVNBP declined year-on-year but showed encouraging new business growth in the last quarter of the financial year compared to the first three quarters.

The Group's VNB declined by 14% from the prior year to R626 million. The decline is partly due to the negative impact of yield curve related economic assumption changes and a shift in new business towards lower margin products across many of the business units. These factors that drove VNB lower were partially offset by strong VNB growth in Momentum Corporate and good expense management across the Group. The new business margin of 0.9% is lower than the prior year's margin of 1.1%.

The regulatory solvency positions of all the Group's regulated entities remain within, or slightly above, their specified target solvency ranges. For Momentum Metropolitan Life, the Group's main life insurance entity, the Solvency Capital Requirement (SCR) cover improved from 1.73 times SCR at 30 June 2021 to 2.03 times SCR at 30 June 2022. This improvement is mainly attributable to higher earnings over the period, favourable movements in equity markets, rising yield curves, and the impact of valuation basis changes. Momentum Metropolitan Holdings had a group SCR cover of 1.6 times SCR at 30 June 2022, an improvement from 1.5 times SCR at 30 June 2021.

The Group declared a final dividend of 65 cents per ordinary share, resulting in a total dividend for F2022 of 100 cents per ordinary share. This represents an increase of 150% on the prior year. After having received regulatory approval, the Group commenced a share repurchase programme of ordinary shares in August 2022. The current approval is for repurchases of up to R750 million. As of 12 September 2022, the Group had repurchased 23 million shares at a cost of R382 million.

Return on equity (ROE) for the year was 22.7%, up from 4.9% in the prior year. This increase follows the Group's earnings improvement together with an ongoing focus on capital efficiency. Group embedded value per share was R29.77 on 30 June 2022. The return on embedded value per share was 11.7% in F2022, up from 6.3% in the prior year.

VALUE CREATION THROUGH CAPITAL MANAGEMENT

The Group is focused on embedding its revised capital management framework, announced at the Investor Conference in May 2021, including the active management of the discretionary and surplus capital that remains. The revised capital management framework made it clear that surplus capital would be distributed through dividends, special dividends or share repurchases.

Share repurchase programme

Momentum Metropolitan continually assesses its surplus capital position, taking into consideration expected dividends and other planned capital deployments across the corporate portfolio. Based on the assessment of the Group's capital position, the Board approved in late F2022 a repurchase programme of the Group's ordinary shares up to an amount of R750 million. The programme is in accordance with the general authority received by way of a shareholder resolution passed at the Annual General Meeting, held on 25 November 2021.

Following approval from the Prudential Authority, Momentum Metropolitan commenced with the programme on 10 August 2022. The Group remains committed to following a disciplined trading approach under the programme and will only repurchase shares to the extent that market conditions are favourable. Repurchased shares will be cancelled. Between 10 August 2022 and 12 September 2022, the Group had bought back 23 million shares, for a total consideration of R382 million. When these shares are cancelled, the gain on embedded value will be approximately 20 cents per share.

In line with Momentum Metropolitan's capital distribution philosophy, the share repurchase programme will not be in lieu of a dividend and the Group's dividend policy to declare dividends within a dividend cover range of 2.0 to 3.0 times normalised headline earnings, remains unchanged.

The Board believes that the repurchase programme demonstrates our dynamic approach to capital management in line with the Group's Reinvent and Grow strategy. Subject to the capital and liquidity requirements of the Group, and provided ordinary shares can be bought back at an attractive discount to embedded value per share, it is anticipated that the share repurchase programme of R750 million would be increased over the next two years.

Dividends

Momentum Metropolitan declared a final dividend of 65 cents per ordinary share. Together with the interim dividend of 35 cents per ordinary share, the total dividend for the 12 months ended 30 June 2022 is 100 cents per ordinary share, an increase of 150% from the 40 cents per ordinary share declared in the prior year. The F2022 total dividend represents a dividend cover of 2.9 times normalised headline earnings. This payout is at the upper end of the target dividend cover range of 2.0 to 3.0 times normalised headline earnings.

Capital deployment

Momentum Metropolitan allocates capital to support value creation within the businesses. This is underpinned by the appropriate return on capital targets linked to the Group hurdle rate framework and its strategic objectives.

The following strategic investments and disposals were made during the period:

Areas of capital deployment	R million
Momentum Investments	237
Momentum Corporate	13
Momentum Metropolitan Health	17
Momentum Metropolitan Africa	22
New Initiatives	642
Shareholders segment	132
Total capital deployment	1 063
Business disposals	
Momentum Investments	(176)
New Initiatives	(327)
Total business disposals	(503)
Total net capital deployment*	560

* Total net capital deployment is the result of total capital deployment less total business disposals

Capital deployed to Momentum Investments was mainly to support an upgrade in Momentum Wealth's investment platform and a deferred payment made on a recent asset management acquisition in the UK. Within New Initiatives, R583 million was deployed to Aditya Birla Health Insurance (ABHI) (our health insurance joint venture in India). The deployment of R132 million in the Shareholders segment relates to the renovation of the Group's various owner-occupied properties in order to be better suited to flexible working arrangements, such as hot-desks.

Momentum Investments disposed of its stake in Aluwani Capital Partners and under New Initiatives, the Group disposed of its interest in the aYo business.

Proposed transactions

In August 2022, Aditya Birla Capital Limited and Momentum Metropolitan jointly announced a transaction whereby an affiliate of the Abu Dhabi Investment Authority (ADIA) proposes to acquire a shareholding of 9.99% in ABHI. Aditya Birla Capital Limited and Momentum Metropolitan will dilute their respective interest to 45.91% and 44.1%. The capital infusion of R1.3 billion (Rs. 665 crore) will be used to fund ABHI's growth in the health insurance market in India.

Rand Merchant Investment Holdings Limited (RMI) is currently in advanced stage discussions with its co-shareholders, Momentum Metropolitan and Royal Bafokeng Investment Holding Company Proprietary Limited (RBIH), about Momentum Metropolitan's interest to acquire RMI's interest in RMI Investment Managers (excluding RMI Investment Managers Affiliates 1 (Pty) Limited, which will be retained within RMI's structures).

This proposed transaction would solidify the existing empowerment, distribution and financial ambitions of RMI Investment Managers whilst retaining the independence and unique boutique characteristics of the affiliate model. RBIH has given its in principle support to the proposed transaction and remains a committed and aligned partner. This proposed transaction is subject to requisite governance and regulatory approvals, agreement of the final terms, confirmation of the structure, and other conditions typical of a transaction of this nature.

Subordinated debt

On 25 May 2022, Momentum Metropolitan Life Limited successfully auctioned two unsecured subordinated debt instruments, valued at R1 000 million in total. We are pleased that the issuance was nearly two times oversubscribed, evidence of liquidity in the market, and debt investors' positive view of Momentum Metropolitan's subordinated debt. The R1 000 million raised will be used to redeem an existing R980 million instrument, maturing on 12 August 2022.

CONSOLIDATED GROUP FINANCIAL PERFORMANCE

Group financial performance

The following table outlines the contribution from operating profit and investment return to normalised headline earnings per business unit:

R million	F2022			F2021			Δ%		
	Operating profit	Investment return	Normalised headline earnings	Operating profit	Investment return	Normalised headline earnings	Operating profit	Investment return	Normalised headline earnings
Momentum Life	976	134	1 110	(991)	132	(859)	>100%	2%	>100%
Momentum Investments	870	68	938	1 103	(8)	1 095	(21)%	>100%	(14)%
Metropolitan Life	606	66	672	367	68	435	65%	(3)%	54%
Momentum Corporate	1 049	125	1 174	(607)	55	(552)	>100%	>100%	>100%
Momentum Metropolitan Health	212	(3)	209	214	(1)	213	(1)%	<(100)%	(2)%
Non-life Insurance	399	62	461	508	36	544	(21)%	72%	(15)%
Momentum Metropolitan Africa	8	110	118	62	194	256	(87)%	(43)%	(54)%
Normalised headline earnings from operating business units	4 120	562	4 682	656	476	1 132	>100%	18%	>100%
New Initiatives	(468)	2	(466)	(360)	2	(358)	(30)%	0%	(30)%
Shareholders segment	(289)	456	167	(223)	456	233	(29)%	0%	(28)%
Normalised headline earnings	3 363	1 020	4 383	73	934	1 007	>100%	9%	>100%

Operating profit

Operating profit increased significantly to R3 363 million from R73 million in the prior year. This is mainly attributable to the less severe impact of Covid-19 on earnings in F2022. During the first half of the year, Momentum Life and Momentum Metropolitan Africa still experienced significant net mortality losses due to the third Covid-19 wave. Mortality experience improved over the second half of the year, resulting in the mortality profit of R105 million for the full year after allowing for movements in Covid-19 provisions. This compares to net mortality losses of R2 823 million in the prior year.

Operating profit was further aided by an improvement of R163 million in investment variances. Momentum Life was particularly affected by this and saw a turnaround in investment variances from a negative variance of R517 million in the prior year to a positive variance of R53 million in F2022. This was partly offset by a decline in investment variances in all other business units, mainly from the impact of changes in the yield curves on annuities and structured products.

Momentum Corporate benefited materially from much improved underwriting results on both group life and disability products. Operating profit in Non-life Insurance was supported by good underlying operational growth in Guardrisk offset by the negative impact from weather-related claims and increased claims inflation in Momentum Insure.

Investment return

Investment return improved by 9% to R1 020 million, boosted by the continued recovery in investment markets. In the Shareholders segment, investment return increased due to fair value gains from the revaluation of the Group's investment in venture capital funds and foreign exchange gains on the Group's foreign assets.

IMPACT OF THE COVID-19 PANDEMIC ON THE GROUP

The earnings impact from Covid-19 on the Group during F2022 was significantly less than the preceding two years.

Mortality experience

The mortality experience during the second half of F2022, affected by the fourth and fifth Covid-19 waves in South Africa, was significantly less severe than during the first half of F2022 when the third Covid-19 wave still caused significant mortality losses. During F2022, our South African life insurance businesses paid R10.8 billion in gross mortality claims, of which R4.6 billion was paid in the first quarter. Releases of the mortality component of Covid-19 provision in F2022 amounted to R1 639 million, of which R1 133 million was released in the first half of the year. After the release of the Covid-19 provisions, the Group recorded a R105 million mortality profit for F2022.

The table below shows the contribution from each of the Group's business units to the net mortality result for the 12-month period:

R million	Momentum Life	Momentum Investments	Metropolitan Life	Momentum Corporate	Momentum Metropolitan Africa	Total
Mortality experience	(983)	(23)	(148)	(389)	(190)	(1 733)
Annuity experience	–	169	84	36	17	306
Change in annuity reserves	–	(20)	–	–	–	(20)
Covid-19 additional provision	(64)	–	–	–	(23)	(87)
Covid-19 provision release	689	–	283	610	57	1 639
Net mortality losses	(358)	126	219	257	(139)	105

Impact of provision release on normalised headline earnings

The change in existing Covid-19 provisions over the 12 months ended 30 June 2022 is shown in the table below:

R million	Mortality	Morbidity	Non-life insurance claims	Terminations	Total
Provision at 30 June 2021	1 854	71	54	50	2 029
Release of provisions	(1 619)	(62)	(36)	(26)	(1 743)
Additional provisions	87	–	–	–	87
Provision at 30 June 2022	322	9	18	24	373

The total provisions available at the start of F2022 amounted to R2 029 million (net of deferred tax). Covid-19 provision releases during the year amounted to R1 743, of which R1 619 million related to mortality. As at 30 June 2022 the sufficiency of the remaining provisions were assessed. The recent fifth Covid-19 wave did not result in as large an increase in mortality claims as seen in earlier waves – especially if we allow for seasonal mortality that is typically higher over the winter months.

Despite the improvement in mortality experience, claims remain above pre-pandemic levels. To withstand the impact of assumed sixth and seventh waves of Covid-19, consistent with the fourth and fifth waves, additional Covid-19 provisions of R87 million were raised by Momentum Life and Momentum Metropolitan Africa, while the remaining provisions in Metropolitan Life and Momentum Corporate were deemed sufficient against future Covid-19 claims. This brings the closing Covid-19 provision to R373 million as at 30 June 2022.

Business interruption insurance

By 30 June 2022, Guardrisk had settled most of its business interruption claims, with only 64 claims with an estimated gross value of R110 million outstanding. Up to 30 June 2022, Momentum Insure had three business interruption claims with an estimated gross value of R18 million outstanding.

The remaining provision against business interruption claims is seen as sufficient to absorb the impact of the outstanding claims in Guardrisk and Momentum Insure.

INVESTMENT VARIANCE

Investment variances are included in operating profit and are shown below net of tax. The table below sets out the investment variance by business and reflects the various offsetting impacts experienced over the period.

R million	1QF2022	2QF2022	3QF2022	4QF2022	F2022	F2021	Δ%
Momentum Life	40	(240)	(7)	260	53	(517)	>100%
Momentum Investments	10	9	16	(1)	34	327	(90)%
Metropolitan Life	(57)	(2)	35	67	43	66	(35)%
Momentum Corporate	(21)	56	57	56	148	206	(28)%
Momentum Metropolitan Africa	(11)	59	5	(53)	–	78	(100)%
Shareholders segment	16	24	8	27	75	31	>100%
Total investment variance	(23)	(94)	138	374	353	190	85%

Investment variances, particularly on long-term protection business, as well as annuity business, have been subject to significant volatility over the last two years, driven by large changes in the shape and level of the nominal and real yield curves (and by implication changes in the market implied inflation).

Over the 12 months to 30 June 2022, the nominal government bond yield curve increased at all durations. The real government bond yield curve, however, reduced. The expense inflation curve, which is the difference between the nominal and real market implied curves, increased, which resulted in an elevation in market implied inflation, particularly at longer durations. Both the nominal and the real yield curves flattened over the same period.

In total, the Group recorded positive investment variances of R353 million in F2022, compared to positive R190 million in the prior year. The F2022 positive variance was made up of negative variance in the first six months, followed by positive variance in the second half of the financial year. Investment variances thus explain much of the significant improvement in NHE in the second half of the year versus the first six months.

The volatility in the investment variances was most pronounced in Momentum Life, where the Myriad protection product is particularly sensitive to yield curve changes at long durations. The nominal yield curve increased at all durations during the final quarter, which led to a reversal of the substantial negative investment variances reported in the first half of F2022.

The decline in investment variances for Momentum Investments and Momentum Corporate followed lower earnings from mainly annuity business, caused by movements in both the real and nominal yield curves. The R23 million decline in Metropolitan Life's investment variance was largely due to an increase in market implied inflation. In Momentum Metropolitan Africa, investment variance declined R78 million, driven by the current year recovery in the equity markets being smaller than that in the prior year, particularly in Namibia and Botswana.

CONSOLIDATED GROUP NEW BUSINESS PERFORMANCE

R million	F2022	F2021	Δ%
Recurring premiums (R million)	4 607	3 783	22%
Single premiums (R million)	51 885	47 497	9%
PVNB (R million)	72 673	65 898	10%
VNB (R million)	626	725	(14)%
New business margin	0.9%	1.1%	

The table below shows the PVNB by business unit for each quarter of F2022:

R million	1QF2022	2QF2022	3QF2022	4QF2022	F2022	F2021	Δ%
Momentum Life	1 736	1 759	1 833	1 963	7 291	7 479	(3)%
Momentum Investments	11 059	11 891	10 340	9 186	42 476	41 471	2%
Metropolitan Life	1 730	1 826	1 708	1 896	7 160	5 885	22%
Momentum Corporate	1 520	3 391	2 851	4 514	12 276	8 220	49%
Momentum Metropolitan Africa	1 202	881	786	604	3 470	2 843	22%
Total PVNB	17 247	19 748	17 518	18 160	72 673	65 898	10%

The Group increased PVNB to R72.7 billion, 10% higher than the prior year. Momentum Corporate delivered pleasing new business growth in both recurring premium group risk products, as well as single premium investment PVNB, which almost doubled. Metropolitan Life achieved strong growth in protection new business, as well as annuities and structured single premiums. Momentum Metropolitan Africa also saw pleasing new business volume growth, driven by corporate new business in Namibia, Lesotho and Botswana, together with strong retail savings and annuity new business in Namibia and Botswana. Momentum Investments delivered solid growth in guaranteed annuities and Momentum Wealth's local investment platform business while Momentum Life's new business declined mainly due to a decline in PVNB on protection products, partly offset by improved new business on long-term savings business.

The table below shows the VNB by business unit for each quarter of F2022:

R million	1QF2022	2QF2022	3QF2022	4QF2022	F2022	F2021	Δ%
Momentum Life	–	5	(28)	3	(20)	72	<(100)%
Momentum Investments	91	141	54	60	346	392	(12)%
Metropolitan Life	79	73	4	88	244	253	(4)%
Momentum Corporate	(12)	18	(4)	66	68	11	>100%
Momentum Metropolitan Africa	(1)	6	(3)	(14)	(12)	(3)	<(100)%
Total VNB	157	243	23	203	626	725	(14)%

The Group's VNB declined by 14% to R626 million, driven by the negative impact of yield-curve related economic assumption changes, which are effected at the point of sale in all business units, and a general change in new business mix to lower margin products.

VNB was lower than the prior year across all the business units, except Momentum Corporate, which delivered a strong contribution of R68 million due to higher sales volumes and contained expenses. Momentum Life's VNB of negative R20 million resulted from lower new business volumes on protection products and the change in new business mix from protection business towards lower margin long-term savings business. A negative R12 million VNB contribution from Momentum Metropolitan Africa was caused by a negative VNB in Namibia. VNB for Momentum Investments declined to R346 million, mainly due to a change in new business mix from higher margin offshore investments in Momentum Wealth, lower assumed credit spreads in the second half of F2022 and an increase in renewal expenses. Metropolitan Life's VNB of R244 million delivered a strong result in the fourth quarter, and largely recovered from the 18% decline reported for the first nine months of F2022. That decline was caused by the adverse impact of policies that lapsed before the first premium was paid, leading to irrecoverable distribution expenses. The new business margin declined to 0.9%, from 1.1% in the prior period.

EMBEDDED VALUE

Embedded value earnings (R million)	F2022	F2021	Δ%
Embedded value at the start of the period	41 328	38 524	
Change in embedded value before capital flows	4 787	2 819	70%
Embedded value earnings from operations (covered business)	3 826	(545)	>100%
Embedded value earnings attributable to investment markets	(152)	1 698	<(100)%
Embedded value profit from non-covered businesses	1 113	1 666	(33)%
Capital flows	(687)	(15)	<(100)%
Embedded value at the end of the period	45 428	41 328	10%
Return on embedded value (ROEV)	11.6%	7.3%	
ROEV on covered business	12.3%	3.8%	
ROEV on non-covered business	9.7%	20.8%	
ROEV per share	11.7%	6.3%	

The Group's embedded value results for the year ended 30 June 2022, reflect a return more closely aligned with our long-term expectations, compared to the results observed over the last two years.

In the covered business, the release of Covid-19 provisions into embedded value earnings accounted for the largest change from the prior year's embedded value earnings (prior year included a large negative impact and this year's release included a large positive impact). A methodology change, where profits not previously valued on ancillary protection benefits in Momentum Life, made a positive contribution when analysing this year's embedded value earnings. Experience variances reflected the benefits of a diversified portfolio in the covered operations, where both mortality and morbidity as well termination experience results varied by lines of business, but were muted in aggregate.

In the non-covered business, a lower growth trajectory than anticipated resulted in a significant write-down of the valuation of Momentum Insure in the first half of F2022. Despite this, non-covered operations contributed positively to embedded value earnings, with positive contributions across a range of business units. The largest contribution was from Guardrisk where earnings growth is progressing as planned. Fair value gains on the Group's venture capital investments also made a noteworthy positive contribution.

SEGMENTAL PERFORMANCE

Momentum Life

R million	F2022	F2021	Δ%
Operating profit	976	(991)	>100%
Investment return	134	132	2%
Normalised headline earnings	1 110	(859)	>100%
Recurring premium new business	1 053	1 059	(1)%
Single premium new business	2 202	2 090	5%
PVNBP	7 291	7 479	(3)%
VNB	(20)	72	<(100)%
New business margin	(0.3)%	1.0%	

Normalised headline earnings

Momentum Life recorded a strong normalised headline earnings of R1 110 million in F2022, compared to a loss of R859 million in the prior year. Operating profit of R976 million recovered from an operating loss of R991 million in the prior year. The key contributors include year-on-year improvements of R730 million in net mortality losses, R570 million in investment variances mainly driven by yield curve changes, and a net impact of R577 million from operating assumption and modelling changes.

Net mortality losses improved from R1 088 million in the prior year to R358 million in F2022. The current year includes negative mortality experience variances of R983 million, partly offset by the net movement in Covid-19 provisions of R625 million. The mortality claims experience during the fourth and fifth waves that occurred in the second half of F2022, had a significantly lower impact on earnings. Although still higher than pre-pandemic experience, mortality experience in F2022 improved compared to the prior year.

During June 2022, the nominal yield curve increased at all durations, benefitting the protection business in particular. Momentum Life's total investment variance improved from a loss of R517 million in the prior year to a profit of R53 million in F2022. It must be noted that investment variances are volatile by nature.

The change in operating assumption and modelling changes include positive expense assumption changes and modelling refinements in which prospective valuation models were adopted for some benefits. This was partly offset by the strengthening of persistency assumptions in the protection and traditional products.

New business

Momentum Life's PVNBP declined by 3% year-on-year to R7.3 billion, mainly attributable to a 10% decline in new business on protection business, offset by the 4% improvement in new business on long-term savings business.

VNB declined from a profit of R72 million to a loss of R20 million. The long-term savings products contributed positively to VNB but was offset by the negative impact from lower protection new business. Unfavourable yield curve movements, effected at the point of sale in economic assumption changes, further exacerbated the negative impact on VNB. This translated to a new business margin of -0.3%.

Momentum Investments

R million	F2022	F2021	Δ%
Operating profit	870	1 103	(21)%
Investment return	68	(8)	>100%
Normalised headline earnings	938	1 095	(14)%
Recurring premium new business	205	207	(1)%
Single premium new business	41 649	40 666	2%
PVNBP	42 476	41 471	2%
VNB	346	392	(12)%
New business margin	0.8%	0.9%	

Normalised headline earnings

Normalised headline earnings from Momentum Investments declined by 14% to R938 million. This includes a 21% decline in operating profit to R870 million, offset to some extent by strong growth in investment return resulting mainly from fair value and currency gains on offshore assets.

The decline in operating profit was mainly attributable to implementation expenses of more than R100 million for replacing Momentum Wealth's legacy investment platform, and a R293 million deterioration in investment variances related to yield-curve movements in the annuities and structured business. This was partly offset by the positive impact in Momentum Wealth as well as the investment management businesses in South Africa and the UK from continued good new business and favourable local and offshore market impacts. The inclusion of the results of Seneca Investment Managers for a full 12 months (compared to seven months in the prior year) also contributed positively.

New business

PVNBP for Momentum Investments improved 2% to R42.5 billion, driven by good growth on guaranteed annuities and on the local Momentum Wealth investment platform. This was slightly offset by lower new business on the offshore Momentum Wealth investment platform, which remained strong in absolute terms.

The VNB declined by 12% to R346 million, mainly attributable to a change in new business mix from higher margin offshore investments in Momentum Wealth, lower assumed credit spreads in the second half of F2022, an increase in renewal expenses and a change in the capital allocation methodology. The new business margin reduced slightly to 0.8%.

Assets under management and administration

Assets under management on the Momentum Wealth investment platform increased by 4% to R205 billion, mainly attributable to new business inflows partly offset by outflows and flat year-on-year market movements. On non-covered Investment Management business, assets under management increased by 5% due to the recovery of investment markets and good inflows on retail assets. The acquisition of Seneca Investment Managers in the UK also contributed R12.6 billion to the growth in institutional assets under management.

R million	F2022	F2021 ⁴	Δ%
On-balance sheet Momentum Wealth	135	129	5%
Off-balance sheet Momentum Wealth	72	69	4%
Non-covered business (Investment Management)	502	477	5%
Assets under management and administration	709	675	5%

⁴ On-balance sheet Momentum Wealth restated due to R11 billion on-balance sheet assets that were better suited to be disclosed as Momentum Wealth linked assets rather than managed internally or by other managers within the Group. R7 billion in on-balance sheet assets were incorrectly calculated in Momentum Wealth linked assets.

Metropolitan Life

R million	F2022	F2021	Δ%
Operating profit	606	367	65%
Investment return	66	68	(3)%
Normalised headline earnings	672	435	54%
Recurring premium new business	1 710	1 409	21%
Single premium new business	1 845	1 483	24%
PVNB	7 160	5 885	22%
VNB	244	253	(4)%
New business margin	3.4%	4.3%	

Normalised headline earnings

Metropolitan Life's normalised headline earnings improved by 54% to R672 million. Operating profit growth of 65% to R606 million was mainly attributed to a net mortality profit of R219 million, which improved from a net mortality loss of R468 million in the prior year. The current year's operating profit includes a positive net movement in opening Covid-19 provisions of R283 million, partly offset by negative mortality and longevity experience variance of R64 million. This compares to a net mortality loss of R467 million for the prior year.

Operating profit growth was partly offset by negative persistency variance of R200 million, which was primarily due to the correction of operational and system issues related to the migration of the administration system. The system issues were noted in the first half of the financial year, but the rectification continued to negatively impact the results during the second half of F2022. Some persistency experience deterioration in funeral products was also noted and as a result the persistency assumptions were strengthened. The persistency experience deterioration in the life cover business will be addressed by management actions.

Investment variances remained positive but deteriorated by R23 million year-on-year, due to an increase in implied inflation caused by an increase in the nominal yield while the real yield reduced.

New business

Metropolitan Life's PVNB increased by 22% to R7.2 billion compared to the prior year. This includes continued improvement in protection new business and annuities and structured single premiums, which delivered pleasing year-on-year growth of 19% and 41% respectively. The average adviser productivity has remained strong throughout the year.

VNB declined 4% to R244 million. This represents a strong recovery from the decline of 18% that was reported for the first nine months of F2022. The decline can be attributed to a change in product mix towards lower margin savings products and the adverse impact on VNB when policies lapsed before the first premium was paid, part of which related to fraudulent activities by (now dismissed) advisers, which resulted in distribution expenses that cannot be recovered. Consequently, the new business margin declined from 4.3% to 3.4%.

Momentum Corporate

R million	F2022	F2021	Δ%
Operating profit/(loss)	1 049	(607)	>100%
Investment return	125	55	>100%
Total normalised headline earnings	1 174	(552)	>100%
Recurring premium new business	1 239	694	79%
Single premium new business	4 550	2 314	97%
PVNB	12 276	8 220	49%
VNB	68	11	>100%
New business margin	0.6%	0.1%	

Normalised headline earnings

Momentum Corporate's normalised headline earnings improved from a loss of R552 million to a profit of R1 174 million. The strong turnaround from an operating loss of R607 million in the prior year to an operating profit of R1 049 million in F2022 follows the turnaround of a net mortality loss of R1 344 million in the prior year into a net mortality profit of R257 million in F2022. This profit includes the partial release of R610 million of the opening Covid-19 reserves, offset by net negative mortality and longevity experience variance of R353 million.

The improvement in operating profit was further bolstered by strong income disability results aided by the re-pricing programme that has taken place over the last three years, favourable mortality experience variance on income disability claims in payment and better than expected return-to-work experience.

Investment variance of R148 million, although positive, declined from R207 million in the prior year mainly due to a lower earnings impact on annuities and investment guarantee reserves caused by movements in the real and nominal yield curves.

New business

Momentum Corporate's PVNBP of R12.3 billion increased by 49% compared to the prior year, boosted by strong growth in recurring and single premium flows. Recurring premium new business increased by 79%, mainly on group risk products, including the onboarding of three large clients. New business from single premiums increased by 97%, driven by improved investment flows into FundsAtWork and from large corporate investment and annuity sales.

VNB improved to R68 million from R11 million in the prior year, bolstered by higher PVNBP and contained expenses. The strong growth in VNB was dampened by the new business mix that was more weighted toward lower margin products. The new business margin was 0.6% for the year.

Momentum Metropolitan Health

R million	F2022	F2021	Δ%
Operating profit	212	214	(1)%
Investment return	(3)	(1)	<(100)%
Normalised headline earnings	209	213	(2)%
Minorities	102	85	20%
Normalised headline earnings gross of minorities	311	298	4%

Normalised headline earnings

Momentum Metropolitan Health's normalised headline earnings declined by 2% against the prior year to R209 million. Before the deduction of the share of minorities, normalised headline earnings increased by 4%. The increase in the share of minorities resulted from the B-BBEE transaction with strategic partners in December 2021. The growth in the gross normalised headline earnings was driven by fee income generated from membership growth in Health4Me (the low cost health insurance product) and public sector membership, good Health4Me claims experience and prudent expense management.

Membership

Good membership growth of 3%, amidst a tough economic environment, was mainly attributable to the continued growth of the public sector, Health4Me and Momentum Medical Scheme membership. Membership growth remained subdued in the corporate market segment, reflective of economic conditions placing pressure on employment numbers.

Non-life Insurance

R million	F2022	F2021	Δ%
Guardrisk	449	377	19%
Momentum Insure	12	167	(93)%
Normalised headline earnings	461	544	(15)%
Operating profit	399	508	(21)%
Investment return	62	36	72%

Normalised headline earnings

The normalised headline earnings for Non-life Insurance declined by 15% to R461 million. Operating profit declined by 21% against the prior year, mainly attributable to lower underwriting profits in Momentum Insure, which were negatively impacted by a higher claims experience, but was partly offset by favourable earnings growth in Guardrisk. Investment return increased by 72% to R62 million and benefited from improved market returns and a one-off recognition of the value of a cell acquired by Guardrisk.

During April 2022 and then again in May 2022, days of heavy rainfall in KwaZulu-Natal resulted in severe flooding and landslides. The Non-Life Insurance business has assessed the impact of floods, taking into account reinsurance cover in place, and as at 30 June 2022, a net loss (after tax and reinsurance) of R53 million was reported.

Guardrisk

Guardrisk's normalised headline earnings increased 19% to R449 million. Operating profit was aided by strong growth of 30% in underwriting profits of Guardrisk General Insurance (GGI) and pleasing growth in management fee income in the mining rehabilitation and life divisions. Investment return benefited from the recognition of the value of a cell that was taken over at a discount to its net asset value, resulting in a net increase in normalised headline earnings of R40 million, after concluding all phases of the transaction.

Guardrisk's industry and product diversification across the cells continues to offset the negative impact that Covid-19 had in some of its activities.

R million	F2022	F2021 ⁶	Δ%
Gross written premium	2 813	2 327	21%
Net earned premium	1 729	1 521	14%
Claims incurred	(890)	(770)	16%
Acquisition cost	(472)	(468)	1%
GGI underwriting profit⁵	367	283	30%

⁵ The underwriting profit in this table is the total for GGI, a division of Guardrisk Insurance Company Limited.

⁶ The prior year numbers have been restated to exclude the impact of 100% reinsurance transactions to align to current year reporting.

Momentum Insure

Normalised headline earnings in Momentum Insure declined from R167 million to R12 million, mainly impacted by a high claims experience following prolonged wet weather over the summer months, a large commercial fire claim, the KwaZulu-Natal floods and increased inflationary pressures on the back of supply-chain challenges and increases in the oil price.

New business premiums increased by 12% to R628 million amidst a very challenging operating environment. The last quarter of the financial year showed very pleasing performance compared to each of the quarters in the current and prior year. The highest quarterly sales were achieved since the acquisition of Alexander Forbes Insurance and was a pleasing result after subdued sales were experienced in the months immediately after the implementation of a single line of business system in July 2021. Persistency experience remained good and well within appetite.

R million	F2022	F2021	Δ%
Gross written premium	2 879	2 793	3%
Net earned premium (R million)	2 739	1 479	85%
Claims ratio	70.0%	62.6%	

MOMENTUM METROPOLITAN AFRICA

R million	F2022	F2021	Δ%
Namibia	89	125	(29)%
Botswana	(11)	49	<(100)%
Lesotho	187	172	9%
Ghana	43	68	(37)%
Other countries	(51)	9	<(100)%
Centre costs	(139)	(167)	17%
Normalised headline earnings	118	256	(54)%
Operating (loss)/profit	8	62	(87)%
Investment return	110	194	(43)%
Recurring premium new business	400	414	(3)%
Single premium new business	1 639	944	74%
PVNB ⁶	3 470	2 843	22%
VNB	(12)	(3)	<(100)%
New business margin	(0.3)%	(0.1)%	

Normalised headline earnings

Normalised headline earnings declined by 54% to R118 million. This was largely driven by a net mortality loss of R139 million, which include negative mortality and longevity experience variance of R173 million, partly offset by the release of R34 million Covid-19 provisions. A significant loss on mortality experience variance was incurred in both Namibia and Botswana in the first quarter of F2022. Although still higher than pre-pandemic levels, the loss on mortality experience variance tapered off during the second half of the financial year. Operating profit was further negatively impacted by higher claims experience in the health business, driven by increased utilisation in all countries. The decline in investment return was partially because of a lower asset base, following remittances of R1 billion to the Group.

The decline in normalised headline earnings in Namibia was mainly driven by a net mortality loss, as well as an increase in expenses. This was partly offset by a favourable impact on earnings from the short-term insurance business. Investment return declined as a result of lower interest rates and a reduced asset base.

Botswana's decline was largely due to mortality losses in the corporate business, a lower contribution from the credit life business because of the continued run-off of the book and impact of economic assumption changes. Investment return decreased due to a lower asset base in the current year.

Lesotho's normalised headline earnings improved as a result of positive persistency experience in the life business and was partly offset by the non-repeat of a positive one-off operating assumption change in the prior year. Investment return declined from the prior year attributable to a reduced asset base.

In Ghana, the decline was mainly due to the negative impact of an expense assumption change and higher expenses.

The decline in other countries was because of a R10 million loss in Mozambique and continued losses in Kenya due to increased mortality losses, partly driven by Covid-19. After the reporting date, the Group has successfully completed its exit from Kenya, effective 22 July 2022. Momentum Metropolitan has sold its 66.29% equity stake in Metropolitan Cannon General Insurance Limited and Metropolitan Cannon Life Assurance Limited, to a consortium of local shareholders. This decision forms part of the Group's ongoing strategic review of its Africa portfolio of businesses.

The decline in central costs is driven by lower withholding tax on remittances from the country entities to the Group, as well as a lower profit-based charges to other Group entities.

New business

PVNB for Momentum Metropolitan Africa improved by 22% to R3.5 billion from the prior year. This is attributable to strong corporate new business growth in Namibia, Lesotho and Botswana and good growth in the retail savings and annuity new business in Namibia and Botswana.

The VNB declined to negative R12 million, largely driven by a shift in the new business mix towards lower margin savings products in Lesotho and Namibia. VNB from Namibia was negative due to lower business in the second half of F2022 against a largely fixed cost base. This more than offset positive VNB contributions from Lesotho and Botswana. The new business margin was -0.3% for the year.

NEW INITIATIVES

New Initiatives includes Aditya Birla Health Insurance (a health insurance joint venture with Aditya Birla Capital in India), Multiply Money (a bundled transactional banking and savings solution), the operating expenses of Exponential Ventures, as well as other local start-up operations. The minority holding in aYo, a mobile insurance business in selected African countries, was sold during the first quarter of F2022.

R million	F2022	F2021	Δ%
Aditya Birla Health Insurance (ABHI) ⁷	(338)	(230)	(47)%
aYo	(1)	(17)	94%
Other ⁸	(127)	(111)	(14)%
Normalised headline earnings	(466)	(358)	(30)%

⁷ Results for the India investment are reported with a three-month lag. Results include support costs incurred by Momentum Metropolitan outside of the joint venture.

⁸ "Other" includes Exponential Ventures, Multiply Money and Momentum Consult.

Aditya Birla Health Insurance

ABHI has shown continued growth and is performing broadly in line with the business case – if the impact of Covid-19 specific claims experience is excluded. The operational performance was negatively impacted by the sharp increase in the number and average size of Covid-19 related claims observed during the second wave of infections in India. Although Covid-19-related claims have reduced steadily since the first quarter, non-Covid-19 claims have increased over the year as elective procedures and the average cost per claim started to increase.

Gross written premiums (GWP) increased by 30% to R3.5 billion, with strong growth in both retail and group business.

ABHI continues to build scale while providing a highly differentiated product offering. ABHI further sustained its focus on offering extensive end-to-end digital service, supporting channel growth as well as scaling and diversifying its distribution. The capital infusion of R1.3 billion that will be received from the introduction of ADIA as a shareholder will be deployed towards distribution growth initiatives.

aYo

The sale of our remaining stake in aYo in September 2021, resulted in a decline in our share of losses.

Other

The largest other new initiative is Multiply Money, which recorded a slightly larger loss compared to the prior year. This initiative bundles a low-cost transactional facility with a savings account that offers competitive interest rates, and no monthly fees, without restrictive requirements such as lock-in periods. The rewards, cash-back payments and shopping discounts from Momentum Multiply and voluntary deposits made by clients can be deposited into the savings account.

SHAREHOLDERS SEGMENT

R million	F2022	F2021	Δ%
Operating loss	(289)	(223)	(29)%
Investment return	456	456	0%
Investment income	13	14	(7)%
Fair value gains/(losses)	443	442	1%
Normalised headline earnings	167	233	(28)%

The Shareholders segment's normalised headline earnings of R167 million declined from the prior year.

Operating losses widened by 29% to a loss of R289 million, mainly due to a fair value loss on preference shares issued by the iSabelo Trust to Momentum Metropolitan Holdings, partly offset by the impact of the restructuring of group lease arrangements on owner-occupied properties.

Investment return remained stable at R456 million in line with the prior year. Fair value gains on the Group's investment in venture capital gains contributed significantly in both years.

SOLVENCY

Regulatory solo solvency position of the Group's insurance entities

The solo SCR for the Group's regulated insurance entities were as follows:

Regulatory solvency position as at 30 June 2022

R million	Momentum Metropolitan Life	Guardrisk Insurance	Guardrisk Life	Momentum Insure
Eligible own funds (pre dividend)	30 362	3 006	3 473	977
SCR	14 939	2 545	2 970	695
SCR cover (times)	2.03	1.18	1.17	1.41

Regulatory solvency position as at 30 June 2021

R million	Momentum Metropolitan Life	Guardrisk Insurance	Guardrisk Life	MSTI ⁹	Momentum Insurance ⁹
Eligible own funds (pre dividend)	28 030	2 781	3 789	538	470
SCR	16 169	2 460	3 333	309	279
SCR cover (times)	1.73	1.13	1.14	1.74	1.69

⁹ On 1 July 2021, Momentum Short-term Insurance (MSTI) was renamed to Momentum Insure and Momentum Insurance was integrated into this entity. Comparatives were not restated.

Momentum Metropolitan Life has adopted a target range for regulatory solvency cover of 1.6 to 2.0 times the SCR. The regulatory solvency position of Momentum Metropolitan Life improved from 1.73 times SCR at 30 June 2021 to 2.03 times SCR at 30 June 2022. This is slightly above the target range. This improvement was predominantly due to a decrease in the SCR (required capital). Movements in local and global markets resulted in a reduction in the equity stresses prescribed by the regulator, which reduced the capital requirements associated with equity risk exposures. The increase in the nominal yield curve, as well as positive impacts of methodology and operating assumption changes also served to reduce the SCR. The increase in own funds (available capital) reflects good investment experience, strong new business performance, positive methodology changes, and the review and partial release of Covid-19 provisions at 30 June 2022. The impact of Covid-19 claims during the year was largely offset by Covid-19 provision releases and positive longevity impacts.

The SCR cover for Guardrisk Insurance increased from 1.13 times SCR to 1.18 times SCR, supported by the implementation of revised reinsurance cover (most notably reinsurance reinstatement protection) for the underwritten business, as well as improved modelling of reinsurance impacts under the SCR stresses. The SCR cover for Guardrisk Life increased from 1.14 times SCR to 1.17 times SCR due to strengthening cell solvency, improved claims experience, the increase in yield curves, as well as the strengthening of lapse assumptions. Guardrisk Insurance and Guardrisk Life reviewed their target ranges for regulatory solvency cover during the year. At 30 June 2022, Guardrisk Insurance was within their revised target range of 1.14 to 1.21 times the SCR, while Guardrisk Life was above their revised target range of 1.04 to 1.07 times the SCR.

The SCR cover for Momentum Insure was 1.41 times SCR at 30 June 2022. The SCR cover reduced over the year mainly due to weaker claims experience due to severe weather-related claims, but remains within the target range of 1.4 to 1.6 times SCR.

Regulatory group solvency position for Momentum Metropolitan Holdings

The Prudential Authority has designated Momentum Metropolitan Holdings as an insurance group and approval for the licensing of Momentum Metropolitan Holdings Limited as the controlling entity of the insurance group was received in August 2021.

The Group's solvency position is determined by aggregating the results of all the underlying entities under the regulatory framework, after elimination of intra-group arrangements. The Group has received approval to calculate its group solvency position using the Accounting Consolidation method for certain entities, most notably Momentum Metropolitan Life and Momentum Insure. For entities in the Accounting Consolidation group, the own funds and SCR are calculated using a consolidated balance sheet approach.

Momentum Metropolitan Holdings has adopted a target range for group regulatory solvency cover of 1.4 to 1.7 times the SCR. As at 30 June 2022, Momentum Metropolitan Holdings Group SCR cover increased to 1.6 times SCR from 1.5 times SCR at 30 June 2021. The Group SCR cover is impacted by the restrictions applied to the own funds of cell captive insurers, and if Guardrisk were excluded, the SCR cover for the Group would increase to 1.8 times SCR at 30 June 2022.

OUTLOOK

We are encouraged by these good results achieved by the Group during a period of challenging economic and social conditions. The normalised headline earnings of R4 383 million for the year suggests that we have largely recovered from the impact of Covid-19 on earnings. During the year, the Group achieved solid growth in new business, apart from Momentum Life protection business, which has started to show improvement in recent months. The Group's strong results in the first year of the three-year Reinvent and Grow strategy is encouraging and confirms our solid competitive position

Looking ahead, we remain cautious about the pace of economic recovery across our operations, as disposable income remains under pressure because of depressed economic activity. The timing and magnitude of future Covid-19 waves remain uncertain and could still impact our earnings in future, however, it appears that the disease has now become endemic.

We are encouraged by the recovery in normalised headline earnings. Although some of the positive contributions to the current year's earnings are not expected to repeat in F2023, our underlying operating earnings are solid and we will continue to focus on achieving the Reinvent and Grow financial targets for F2024, namely normalised headline earnings of R4.6 billion to R5.0 billion and ROE of 18% to 20%.

14 September 2022

CENTURION

The information in this commentary, including the financial information on which the outlook is based, has not been reviewed and reported on by Momentum Metropolitan's external auditors.

Equity sponsor:

Merrill Lynch South Africa (Pty) Limited t/a BofA Securities

Sponsor in Namibia

Simonis Storm Securities (Pty) Limited

Debt Sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)