momentum
METROPOLITAN

Operating Update

For the financial year ended 30 June 2023

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)

OPERATING UPDATE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 AND BOARD AND BOARD COMMITTEE CHANGES

Summary of key metrics

Key metrics	F2023	F2022	Δ%
Earnings per share (cents)	313.3	260.6	20%
Headline earnings per share (cents)	310.7	297.3	5%
Normalised headline earnings per share (cents)	342.3	287.2	19%
Normalised headline earnings (R million)[1]	5 079	4 383	16%
Operating profit (R million)[2]	4 419	3 363	31%
Investment return (R million)	660	1 020	(35)%
New business volumes (PVNBP, R million)	68 873	72 673	(5)%
Value of new business (VNB, R million)	600	626	(4)%
New business margin	0.9%	0.9%	
Diluted embedded value per share (Rand)	33.75	29.77	13%
Return on embedded value per share	17.0%	11.7%	
Return on equity[3]	22.3%	22.7%	
Dividend per share (cents)	120	100	20%

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, the impairment of loans to subsidiaries following the Group's disinvestment, 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. During 2023 the definition of NHE was refined to include the impairment of loans to subsidiaries, following the Group's strategic decision to disinvest from Kenya.

2 Operating profit represents the profit (net of tax) that is 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 2, as well as the adjusting items to determine headline earnings.

MOMENTUM METROPOLITAN ANNOUNCES STRONG RESULTS

Shareholders benefit from increased dividends and further buybacks

Introduction

We are pleased with Momentum Metropolitan's financial results for the past year given the challenging operating environment. The results were positively impacted by improved mortality experience, due to the modest impact of Covid-19 during the current year, and a strong improvement in investment variances from favourable shifts in yield curves. Most of our businesses performed ahead of expectations, delivering earnings we are proud of.

Normalised headline earnings reached a new historic high, exceeding our strategic target of R5 billion for the first time. Our business model of empowered, accountable business units has demonstrated its resilience and agility, assisting the Group to cope with the multiple headwinds of slowing global growth, geopolitical tensions, increasing load shedding, high fuel prices, rising food inflation and a depreciating rand. We will continue to make every effort to deliver on the expectations of our policyholders and generate value to shareholders despite this difficult backdrop.

Overview of financial results

The Group delivered normalised headline earnings of R5 079 million for the 12 months ended 30 June 2023, up 16% from the prior year. Normalised headline earnings per share increased by 19% from 287.2 cents to 342.3 cents. Headline earnings per share increased by 5% from 297.3 cents to 310.7 cents and earnings per share improved by 20% from 260.6 cents to 313.3 cents.

Operating profit improved by 31% to R4 419 million, from R3 363 million in the prior year, supported by improved mortality experience and investment variances. Momentum Life, Momentum Corporate, Guardrisk and Momentum Health delivered pleasing results. Momentum Investments reported marginally lower operating earnings, mainly due to lower mortality profits from annuities and lower new business sales on the Momentum Wealth platform. Operating earnings in Metropolitan Life were mainly impacted by unfavourable lapse experience on the protection business, as well as assumption changes reflecting operating headwinds. Within the Non-life Insurance segment, Momentum Insure was negatively affected by high claim ratios given adverse experience and premium increases which lagged rising claims inflation. Africa saw a significantly improved result primarily due to positive investment variances and mortality experience, as well as actuarial basis changes.

Investment return from the Group's shareholder assets declined by 35% to R660 million from the prior year, mainly as a result of a significant fair value gain on the Group's investment in venture capital funds in the previous year, followed by a modest negative movement in the current year.

Following a review of expected future growth prospects of Momentum Insure, gross written premium and earnings expectations have been adjusted downwards. As a result, we have impaired the remaining R478 million goodwill held from the acquisition of the Alexforbes Short-term Insurance business. More positively, earnings include the positive adjustment of R563 million to the carrying amount of the Group's remaining interest in our health insurance joint venture in India, Aditya Birla Health Insurance (ABHI), following the dilution of the Group's investment because of the introduction of a new shareholder. Note that the impairment within Momentum Insure and the gain on our ABHI interest are both excluded from headline earnings and from normalised headline earnings.

The Group's present value of new business premiums (PVNBP) declined to R68.9 billion, 5% lower than the prior year. As a general trend, tough economic conditions dampened sales volumes. Momentum Life saw improved volumes on long-term savings, offset by lower protection new business volumes. Momentum Investments saw lower new business on both the local and international Wealth platforms, while annuity sales remained strong. Metropolitan Life's PVNBP stayed in line with the prior year, benefiting from growth in annuities and recurring premium long-term savings business. Momentum Corporate was impacted by lower new business volumes on group risk products. Momentum Metropolitan Africa saw a decline in new business volumes, mainly driven by the non-repeat of large corporate deals secured in the prior year in Namibia and Lesotho.

The Group's VNB declined by 4% to R600 million, driven by lower new business volumes, higher distribution costs, a general change in new business mix toward lower margin products across many of the business units, and the negative impact of the yield curve related economic assumption changes. The overall Group new business margin remained unchanged at 0.9%.

The regulatory solvency positions of most of the Group's regulated entities remain toward or above the upper end of their specified target solvency ranges. For Momentum Metropolitan Life (MML), the Group's main life insurance entity, the Solvency Capital Requirement (SCR) cover strengthened from 2.03 times SCR at 30 June 2022 to 2.07 times SCR (pre foreseeable dividend) at 30 June 2023. This is above the upper end of MML's target range of 1.6 to 2.0 times SCR. Momentum Metropolitan Holdings maintained its Group SCR cover at 1.6 times SCR over both reporting periods.

The Group is pleased to declare a final dividend of 70 cents per ordinary share, resulting in a total dividend for F2023 of 120 cents per ordinary share. This represents an increase of 20% on the prior year for the full year dividend.

Return on equity (ROE) for the year was 22.3%, marginally down from 22.7% in the prior year. This strong ROE follows the Group's earnings improvement offset by an increase in opening equity relative to the prior year. Group embedded value per share was R33.75 on 30 June 2023. The return on embedded value per share was 17.0%, an improvement from 11.7% in the prior year. All per share metrics benefited from share buybacks made over the past 12 months.

CAPITAL MANAGEMENT ACTIVITIES

The Group remains focused on the active management of the discretionary and surplus capital in the Group. In accordance with our capital management framework, surplus capital will be distributed through ordinary dividends, special dividends or share buybacks.

Share buyback programme

We completed the initial R750 million share buyback programme on 26 October 2022. The R500 million share buyback programme communicated to investors at the F2023 interim results announcement, was completed on 31 May 2023. The Group bought back 27.9 million shares (1.9% of the shares in issue as at 30 June 2022), at an average price of R17.87 per share. In line with our capital management framework, and in consideration of the strong capital and liquidity position, the Board has approved a further R500 million for the buyback programme of the Group's ordinary shares.

Dividends

Momentum Metropolitan has declared a final dividend of 70 cents per ordinary share, resulting in a total dividend of 120 cents per ordinary share for the full year. The F2023 total dividend represents a payout ratio of 35% of normalised headline earnings.

In line with Momentum Metropolitan's capital distribution philosophy, the share buyback programme will not be in lieu of a dividend. The Group's dividend policy to declare dividends within a payout range of 33% to 50% of normalised headline earnings, remains unchanged.

Capital deployment

The following capital injections and strategic investments (and disposals) were made during the period:

Areas of capital deployment	R million
Momentum Investments	43
Momentum Metropolitan Health	31
Momentum Insure	580
New Initiatives	248
Shareholders	68
Total capital deployment	**970**
Business disposals	
Momentum Investments	(28)
Shareholders	(11)
Total business disposals	**(39)**
Total net capital deployment	**931**

Capital deployed to Momentum Investments was mainly for the acquisition of Crown Agents Investment Management, a fixed income and multi asset manager in the UK. The deployment of R31 million in Momentum Metropolitan Health was to facilitate the transfer of Momentum Multiply into the health segment. Capital of R580 million was deployed to Momentum Insure to maintain their solvency position within our internal solvency cover targets following poor underwriting results. Within New Initiatives, R160 million was deployed to maintain the minimum regulatory requirements in the Momentum Money initiative and R61 million was deployed for working capital in Momentum Consult. R68 million was deployed to South African VC funds within the Shareholders segment.

Acquisition of RMI Investment Managers

We are pleased to announce that Momentum Metropolitan concluded a sale agreement with OUTsurance Group (previously Rand Merchant Investment Holdings) in terms of which Momentum Metropolitan will acquire OUTsurance Group's share in the RMI Investment Managers Group. The acquisition will enable the Group to increase its asset management market participation significantly. The purchase consideration includes an upfront cash consideration and a deferred consideration based on the continued performance of the business. The transaction is subject to customary terms and conditions for transactions of this nature, including approval by the competition authorities.

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	F2023 Operating profit	F2023 Investment return	F2023 Normalised headline earnings	F2022 Operating profit	F2022 Investment return	F2022 Normalised headline earnings	Δ% Operating profit	Δ% Investment return	Δ% Normalised headline earnings
Momentum Life	1 824	111	1 935	976	134	1 110	87%	(17)%	74%
Momentum Investments	736	168	904	870	68	938	(15)%	>100%	(4)%
Metropolitan Life	237	70	307	606	66	672	(61)%	6%	(54)%
Momentum Corporate	1 188	142	1 330	1 049	125	1 174	13%	14%	13%
Momentum Metropolitan Health	287	3	290	212	(3)	209	35%	>100%	39%
Non-life Insurance	188	44	232	399	62	461	(53)%	(29)%	(50)%
Momentum Metropolitan Africa	508	88	596	8	110	118	>100%	(20)%	>100%
Normalised headline earnings from operating business units	**4 968**	**626**	**5 594**	**4 120**	**562**	**4 682**	**21%**	**11%**	**19%**
New Initiatives	(438)	10	(428)	(468)	2	(466)	6%	>100%	8%
Shareholders segment	(111)	24	(87)	(289)	456	167	62%	(95)%	<(100)%
Normalised headline earnings	**4 419**	**660**	**5 079**	**3 363**	**1 020**	**4 383**	**31%**	**(35)%**	**16%**

Operating profit

Operating profit increased significantly from R3 363 million to R4 419 million. The robust performance in operating profit follows the recovery in mortality experience variance in Momentum Life, Metropolitan Life, Momentum Corporate and Momentum Metropolitan Africa, all benefiting from the less severe impact of Covid-19 in the current year. Earnings were further supported by a strong improvement in investment variances because of advantageous shifts in yield curves. This was partially dampened by a deterioration in lapse experience in Metropolitan Life and operating profit in Momentum Investments being impacted by lower mortality profits from annuities and lower new business sales on the Momentum Wealth platform, mitigated by lower expenses. Guardrisk continues to deliver strong positive earnings leveraging off their industry and product diversification across cells. Momentum Insure reported an underwriting loss driven by high claim ratios given adverse experience and premium increases which did not mitigate rising claims inflation.

Investment return

Investment return from the Group's shareholder assets declined by 35% to R660 million. The decline is mainly attributable to a decrease in investment return in the Shareholders segment due to fair value losses arising from the revaluation of the Group's investment in VC funds as well as the non-repeat of fair value gains of a cell acquired by Guardrisk during the first quarter of F2022. The prior year included significant write ups of the VC funds.

Mortality experience

The current year saw positive mortality experience variances across most business units. Our South African life insurance businesses paid R10.1 billion in gross mortality claims during the current year compared to R10.8 billion in the comparative period. Despite the improvement in mortality experience, claims generally remain slightly above pre-pandemic levels. Morbidity rates improved similarly, however, low termination rates on claims-in-payment are placing some pressure on morbidity experience.

The table below shows the contribution from each of the Group's business units to the net mortality result for the financial year:

R million	Momentum Life	Momentum Investments	Metropolitan Life	Momentum Corporate	Momentum Metropolitan Africa	Total
Mortality experience	88	(10)	71	235	4	**388**
Covid-19 additional provision	–	–	–	–	(15)	**(15)**
Covid-19 provision release	106	–	57	123	51	**337**
Net mortality profit	194	(10)	128	358	40	**710**

INVESTMENT VARIANCE

Investment variances are included in operating profit and can be volatile year to year. The table below sets out the investment variance (net of tax) by business unit.

R million	F2023	F2022	Δ%
Momentum Life	598	53	>100%
Momentum Investments	81	34	>100%
Metropolitan Life	71	43	64%
Momentum Corporate	118	148	(20)%
Momentum Metropolitan Africa	166	–	>100%
Shareholders segment	45	75	(40)%
Total investment variance	**1 079**	**353**	**>100%**

The Group recorded a positive investment variance of R1 079 million, compared to a positive R353 million in the prior year. The positive variance in the current year is largely attributable to significant nominal yield increases, a reduction in market implied future inflation rates and strong equity market performance.

The increase 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 yield curve at long durations increased which lowered overall prospective liabilities. For Momentum Investments, the increase in variance was largely attributable to improved earnings from yield enhancement activity on assets backing the annuity business. Metropolitan Life benefited from yield and equity variances. Although positive, the variance in Momentum Corporate was smaller than the prior year. Momentum Metropolitan Africa, mainly driven by Namibia, has seen an improvement from the prior year which is mainly due to increased returns on the assets backing protection business reserves and refinements to how future inflation assumptions are derived.

Going forward, under IFRS 17, we anticipate a reduction in investment variances arising from yield curve movements. This is because under IFRS 17 the sensitivity of the insurance liabilities is more aligned to the economic view on the insurance liabilities.

CONSOLIDATED GROUP NEW BUSINESS PERFORMANCE

Key metrics	F2023	F2022	Δ%
Recurring premiums (R million)	4 524	4 607	(2)%
Single premiums (R million)	49 617	51 885	(4)%
PVNBP (R million)	68 873	72 673	(5)%
VNB (R million)	600	626	(4)%
New business margin	0.9%	0.9%	

The table below shows the PVNBP by business unit for each quarter of F2023:

R million	1QF2023	2QF2023	3QF2023	4QF2023	F2023	F2022	Δ%
Momentum Life	1 856	1 742	1 982	2 021	7 601	7 291	4%
Momentum Investments	8 988	10 016	10 261	11 391	40 656	42 476	(4)%
Metropolitan Life	1 757	1 795	1 807	1 842	7 201	7 160	1%
Momentum Corporate	3 572	2 259	1 826	2 828	10 485	12 276	(15)%
Momentum Metropolitan Africa	566	717	943	704	2 930	3 470	(16)%
Total PVNBP	**16 739**	**16 529**	**16 819**	**18 786**	**68 873**	**72 673**	**(5)%**

The Group's PVNBP declined to R68.9 billion, 5% lower than the prior year. Momentum Life's growth was aided by the growth in long-term savings new business volumes, offset by lower protection new business volumes. Momentum Investments' new business volumes declined due to lower new business on both the local and international Wealth platforms. Metropolitan Life's PVNBP remains in line with the prior year, somewhat benefiting from the growth in single premium guaranteed annuities and in recurring premium long-term savings business. The decline in Momentum Corporate was largely due to lower new business volumes on group risk products where there is an emphasis on margin over volume. Momentum Metropolitan Africa saw a decline in new business volumes, mainly driven by the non-repeat of large corporate deals secured in the prior year in Namibia and Lesotho.

The table below shows the VNB by business unit for each quarter of F2023:

R million	1QF2023	2QF2023	3QF2023	4QF2023	F2023	F2022	Δ%
Momentum Life	(1)	(6)	(24)	(38)	(69)	(20)	<(100)%
Momentum Investments	77	106	111	172	466	346	35%
Metropolitan Life	36	48	(3)	73	154	244	(37)%
Momentum Corporate	8	66	(10)	3	67	68	(1)%
Momentum Metropolitan Africa	(14)	4	(10)	2	(18)	(12)	(50)%
Total VNB	**106**	**218**	**64**	**212**	**600**	**626**	**(4)%**

The Group's VNB declined by 4% to R600 million, driven by lower new business volumes, higher distribution costs, a general change in new business mix toward lower margin products, and the negative impact of yield-curve related economic assumption changes.

VNB was lower than the prior year across all the business units, except in Momentum Investments which delivered a strong contribution of R466 million, mainly attributable to an increase in higher margin annuity new business sales and a reduction in renewal expenses. Momentum Corporate's VNB of R67 million remained relatively flat despite a decline in sales volumes, aided by the change in new business mix towards higher margin annuity and bundled risk business. Momentum Life's VNB of negative R69 million resulted from lower protection new business volumes, increased distribution expenses, and higher cost of capital. Metropolitan Life's VNB of R154 million declined from the prior year and is mainly due to a change in product mix towards lower margin savings products, the adverse financial impact of policies that lapsed before the first premium was paid, and higher adviser churn that resulted in irrecoverable distribution expenses. A negative R18 million VNB contribution from Momentum Metropolitan Africa resulted from ongoing weak VNB in Namibia, partly offset by a positive contribution from Lesotho and Botswana. Overall Group new business margin remained flat at 0.9%.

EMBEDDED VALUE

Embedded value earnings (R million)	F2023	F2022	Δ%
Embedded value at the start of the period	45 428	41 328	
Change in embedded value before capital flows	6 425	4 787	34%
Embedded value earnings from operations (covered business)	3 887	3 826	8.6%
Embedded value earnings attributable to investment markets	2 879	(152)	>100%
Embedded value earnings from non-covered businesses	(341)	1 113	<(100)%
Capital flows	(2 818)	(687)	<(100)%
Embedded value at the end of the period	**49 035**	**45 428**	**8%**
Embedded value per share	33.75	29.77	13.4%
Return on embedded value (ROEV)	14.1%	11.6%	
ROEV on covered business	20.4%	12.3%	
ROEV on non-covered business	(2.8)%	9.7%	
ROEV per share	**17.0%**	**11.7%**	

Group embedded value per share was R33.75 as of 30 June 2023. The return on embedded value (ROEV) was 14.1% for the financial year ending 30 June 2023. The ROEV per share was enhanced by our share buyback programme, ultimately reflecting a 17.0% return.

Embedded value earnings from covered business benefited from improved mortality and morbidity experience variances, including unwinding of the allowances for the effects of the recent pandemic. This improvement was noted across businesses, with the largest contribution being from Momentum Corporate. Lapse experience in Metropolitan Life remained a significant detractor from experience variances. The expected contribution from in-force business, being the expected change in the present value of margins, remains the single largest contributor to embedded value earnings from covered business. This is a function of near-term discount rates and was relatively unchanged from prior year. Operating assumption changes relating to mortality, morbidity, and persistency assumptions all contributed positively apart from Metropolitan Life's changes to its lapse assumptions. Changes related to renewal expense assumptions contributed negatively to embedded value earnings. Despite modest sales growth, the contribution from new business remained resilient due to the relatively larger contribution from risk and annuity products.

The contribution from investment markets includes investment returns on the net asset value backing covered business as well as investment variances and economic assumption changes. Investment returns benefited from higher short-term interest rates and the outperformance of MMH shares that are part of the share scheme hedge.

SEGMENTAL PERFORMANCE

Momentum Life

R million	F2023	F2022	Δ%
Operating profit	1 824	976	87%
Investment return	111	134	(17)%
Normalised headline earnings	**1 935**	**1 110**	**74%**
Recurring premium new business	1 094	1 053	4%
Single premium new business	2 531	2 202	15%
PVNBP	7 601	7 291	4%
VNB	(69)	(20)	<(100)%
New business margin (%)	(0.9)%	(0.3)%	

Normalised headline earnings

Momentum Life recorded normalised headline earnings of R1 935 million for the current year, compared to R1 110 million in the prior year. Operating profit growth of 87% to R1 824 million followed the normalisation of mortality claims experience in the protection business, resulting in a net mortality profit of R194 million for the year – an improvement from net mortality losses of R358 million in the prior year. Also included in operating profit are positive investment variances of R598 million, mainly driven by an increase in yield curves at long durations and improvements in investment markets.

New business

Momentum Life's PVNBP improved by 4% to R7.6 billion, bolstered by a 12% improvement in long-term savings business, offset by a 6% decline on protection business. On an annual premium equivalent (APE) basis, protection new business volumes grew by 4%. Yield curve shifts had a negative impact on the discounted value of future premiums from protection business.

VNB worsened to a loss of R69 million. Various factors dampened revenue, and the growth in revenue was ultimately insufficient to cover the increased acquisition expenses. This translated to a new business margin of -0.9%.

Momentum Investments

R million	F2023	F2022	Δ%
Operating profit	736	870	(15)%
Investment return	168	68	>100%
Normalised headline earnings	**904**	**938**	**(4)%**
Recurring premium new business	205	205	0%
Single premium new business	39 822	41 649	(4)%
PVNBP	40 656	42 476	(4)%
VNB	466	346	35%
New business margin	1.1%	0.8%	

Normalised headline earnings

Normalised headline earnings from Momentum Investments declined by 4% to R904 million. This includes a 15% decline in operating profit to R736 million, offset by strong growth in investment return. Higher investment return resulted mainly from currency translation gains on foreign assets and from higher interest rates.

The decline in operating profit was due to reduced earnings from annuities, largely because of lower mortality profits. Operating profit was further impacted by a combination of lower new business volumes and lower margins, partially offset by increased assets under management. The increase in annuity new business volumes had a positive impact on operating earnings as we earn a profit at point of sale on these products.

New business

PVNBP for Momentum Investments declined 4% to R40.6 billion, driven by lower new business volumes on both the local and offshore Momentum Wealth investment platforms, somewhat offset by a strong growth in annuity new business volumes, particularly during the fourth quarter.

VNB improved by 35% to R466 million. This was mainly attributable to an increase in higher margin annuity new business sales and a reduction in renewal expenses, partially offset by lower platform new business volumes. The growth in annuity sales improved the new business margin to 1.1%.

Assets under management and administration

Assets under administration on the Momentum Wealth investment platform improved by 15% to R236 billion, aided by favourable market performance and positive net inflows. On non-covered Investment Management business, assets under management increased by 13%, reflecting higher flows and the acquisition of Crown Agents Investment Management in April 2023 by our UK investment business.

R billion	F2023	F2022	Δ%
On-balance sheet Momentum Wealth[4]	155	133	17%
Off-balance sheet Momentum Wealth	81	72	13%
Non-covered business (Investment Management)	566	502	13%
Assets under management and administration	**802**	**707**	**13%**

[4] In the prior year, R2.6 billion was misclassified between Momentum Wealth linked product assets under administration and Managed internally or by other managers within the Group. 30 June 2022 has been restated accordingly.

Metropolitan Life

R million	F2023	F2022	Δ%
Operating profit	237	606	(61)%
Investment return	70	66	6%
Normalised headline earnings	**307**	**672**	**(54)%**
Recurring premium new business	1 681	1 710	(2)%
Single premium new business	1 992	1 845	8%
PVNBP	7 201	7 160	1%
VNB	154	244	(37)%
New business margin (%)	2.1%	3.4%	

Normalised headline earnings

Metropolitan Life's normalised headline earnings decreased by 54% to R307 million. A 61% decline in operating profit to R237 million was mainly impacted by operating assumption changes and a continued deterioration in lapse experience on the protection business.

The change in operating assumptions includes a strengthening of the expense basis to cater for expected expense growth and for lower in-force policy count. The negative persistency variance of R237 million was primarily driven by the pressure that the current economic conditions are placing on this segment's customer base. These negative factors on earnings were partially offset by an improvement in mortality experience and in investment variances.

New business

Metropolitan Life's new business volumes of R7.2 billion showed modest growth and was largely driven by good growth in single premium life annuities and in recurring premium long-term savings business. This was offset by the negative impact of yield curve increase on discounting of future protection business premiums.

Adviser churn remains elevated, with a high number of exits and entries. Several root causes for the adviser churn have been identified and tactical responses are being implemented to address the matter. There is a greater focus on the quality of recruits and a focus on the retention of agents who align with our values and business practices. The agency channel productivity of 2.9 policies per adviser per week was impacted by the high number of recruits as well as a change in mix of business towards higher average premium business.

Following management actions to improve the quality of business and the repricing on funeral business, VNB somewhat improved toward the end of the reporting period. VNB still declined 37% to R154 million for the year compared to R244 million in the prior year. The decline can be attributed to a change in product mix towards lower margin products, an increase in policies that lapsed before the first premium was paid, and higher adviser churn resulting in irrecoverable distribution expenses. The new business margin was 2.1% for the year.

Momentum Corporate

R million	F2023	F2022	Δ%
Operating profit	1 188	1 049	13%
Investment return	142	125	14%
Total normalised headline earnings	**1 330**	**1 174**	**13%**
Recurring premium new business	1 093	1 239	(12)%
Single premium new business	4 299	4 550	(6)%
PVNBP	10 485	12 276	(15)%
VNB	67	68	(1)%
New business margin (%)	0.6%	0.6%	

Normalised headline earnings

Momentum Corporate's normalised headline earnings grew strongly to R1 330 million compared to R1 174 million in the prior year. This includes an improvement of 13% in operating profit to R1 188 million, largely attributed to admin fee growth, good underwriting results on group risk products due to an improvement in morbidity and mortality experience as well as higher interest earned on assets backing liabilities. Earnings were further supported by Covid-19 reserve releases.

New business

Momentum Corporate's PVNBP showed a decline of 15% to R10.5 billion, impacted by lower new business volumes on group risk and umbrella fund products. This can be ascribed to the macro-economic headwinds currently playing out in the environment. We continue to experience increased competitive pressure arising from diverging market risk outlook around future mortality. The business remains focused on ensuring continued sustainable and commercially sensible growth rather than chasing volumes at any price.

Despite sales volumes declining, VNB remained relatively flat at R67 million when compared to the prior year VNB of R68 million. This result was driven by two large investment and annuity deals and further support from the FundsAtWork bundled risk business. The results were somewhat dampened by higher expenses. The new business margin remained flat at 0.6%.

Momentum Metropolitan Health

R million	F2023	F2022	Δ%
Operating profit	287	212	35%
Investment return	3	(3)	>100%
Normalised headline earnings	**290**	**209**	**39%**
Non-controlling interest (NCI)	97	102	(5)%
Normalised headline earnings gross of NCI	**387**	**311**	**24%**

Normalised headline earnings

Momentum Metropolitan Health's normalised headline earnings improved by 39% to R290 million. Before the deduction of the share of non-controlling interest, normalised headline earnings increased by 24%. This pleasing growth in normalised headline earnings is attributable to growth in membership, inflationary increases to administration and managed care fees, an increase in interest income, and prudent expense management.

Membership

Despite the tough economic environment, overall membership growth of 4% was achieved. This is largely due to the continued growth in the public sector and Health4Me membership. Membership growth was moderate in the Momentum Medical scheme and membership declined in the corporate market segment, indicative of economic conditions placing pressure on employment numbers.

Non-life Insurance

R million	F2023	F2022	Δ%
Guardrisk	536	449	19%
Momentum Insure	(304)	12	<(100)%
Normalised headline earnings	**232**	**461**	**(50)%**
Operating profit	188	399	(53)%
Investment return	44	62	(29)%

Normalised headline earnings

The normalised headline earnings for Non-life Insurance declined by 50% to R232 million compared to R461 million in the prior year. Operating profit declined by 53% on the prior period, mainly impacted by underwriting losses in Momentum Insure, which were negatively impacted by a higher claims experience. Solid earnings from Guardrisk positively contributed to operating profit.

Guardrisk

Guardrisk's normalised headline earnings improved by 19% to R536 million, supported by a 20% increase in Guardrisk General Insurance underwriting profits, solid growth in management fee income in Guardrisk Life, and a recovery in the volume and affinity business of Guardrisk Insurance. Guardrisk benefited from its industry and product diversification, offsetting the impact of the tough trading conditions over the last year.

GGI underwriting performance is set out below:

R million	F2023	F2022	Δ%
Gross written premium	4 188	2 813	49%
Net earned premium	1 871	1 729	8%
Claims incurred	(920)	(890)	3%
Acquisition costs	(511)	(472)	8%
GGI underwriting profit[5]	**440**	**367**	**20%**

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

Momentum Insure

Normalised headline earnings in Momentum Insure declined from R12 million profit to a loss of R304 million, mainly impacted by a high claims ratio of 77% compared to 70% in the prior year. Claims were impacted by prolonged inflationary pressures, increased frequency of incidents due to power surges (exacerbated by loadshedding) in the first half, higher motor accident and theft claim frequency, a continuation of adverse weather-related events in the first and second quarter, and a lag in premium increases following the policy renewal cycle. To reduce the loss ratio and to bring our average claims cost to more palatable levels, decisive corrective action has been taken, including new business rate increases, higher annual renewals, new underwriting measures to limit losses due to power surges (related to loadshedding) and the cancelation of specific poor performing client cohorts. The impact of these underwriting actions is expected to bear fruit in F2024. The deferred tax asset was also impaired by R106 million, contributing to the large loss reported during the fourth quarter.

Gross written premiums increased by 8% to R3.1 billion. Persistency experience remained well within appetite and better than the industry average throughout the financial year despite the claims ratio corrective actions taken and the impact of the policy data migration. New business premiums improved by 3% to R649 million despite a challenging operating environment. This was achieved through improved sales performance in the direct, tied agent and independent financial adviser channels.

Momentum Insure also successfully concluded the integration of the Alexforbes Insurance business during the period.

Key ratios	F2023	F2022	Δ%
Gross written premium (R million)	3 108	2 878	8%
Net earned premium (R million)	2 956	2 739	8%
Claim ratio	76.7%	70.0%	

MOMENTUM METROPOLITAN AFRICA

R million	F2023	F2022	Δ%
Namibia	719	89	>100%
Botswana	(15)	(11)	(36)%
Lesotho	137	187	(27)%
Ghana	(79)	43	<(100)%
Other countries	(29)	(51)	43%
Centre costs	(137)	(139)	1%
Normalised headline earnings	**596**	**118**	**>100%**
Operating profit/(loss)	508	8	>100%
Investment return	88	110	(20)%
Recurring premium new business	451	400	13%
Single premium new business	973	1 639	(41)%
PVNBP	2 930	3 470	(16)%
VNB	(18)	(12)	(50)%
New business margin (%)	(0.6)%	(0.3)%	

Normalised headline earnings

Normalised headline earnings improved strongly to R596 million compared to R118 million in the prior year. This was driven by improved mortality experience in the protection business in Namibia and Botswana following the significant negative impact of Covid-19 in the prior year. Earnings were further supported by investment variances of R166 million and economic assumption changes of R424 million. The positive economic basis changes were driven by the reduction in the expense inflation assumption, the reduction in the level of the yield curve, and other refinements to how actuarial assumptions are derived for the African operations. This was partly offset by negative expense basis changes which resulted from budgeted management expenses and costs for systems investments (across all countries) and the losses incurred in Ghana due to economic challenges and Domestic Debt Exchange Programme.

The improvement in normalised headline earnings in Namibia from R89 million in the prior year to R719 million was mainly attributable to improved mortality experience, positive investment variances, economic assumption changes and partly offset by an increase in expenses. Investment return improved because of higher interest rates and an increase in assets backing the risk business reserves.

Botswana's normalised headline earnings deteriorated from a loss of R11 million to a loss of R15 million. Although earnings benefited from improved mortality experience, economic impacts from changes in real yields and investment income, this was offset by a strengthening of the expense basis in life business.

Lesotho's normalised headline earnings declined, although it should be noted that the prior year results included positive one-off operating assumption changes. The underlying insurance profits were stable and were boosted by an increase in new business premiums from protection products and a better claims experience.

In Ghana, the decline in earnings to a loss of R79 million is mainly due to capital losses on government bonds because of the sovereign debt crisis in Ghana, higher expenses and elevated claims experience in the life and health businesses, predominantly driven by rampant inflation and currency depreciation.

The improvement in Other countries is mainly due to the Group's exit from Kenya which became effective during July 2022. This was partially offset by the losses incurred in Mozambique as a result of high claims and expense ratios. The prior year included an earnings loss of R41 million from Kenya.

Centre costs were largely stable year on year.

New business

PVNBP for Momentum Metropolitan Africa declined by 16% to R2.9 billion, mainly due to the non-repeat of large single premium corporate deals in both Lesotho and Namibia in the prior year and lower retail new business volumes in Lesotho and Botswana, slightly offset by good growth in the retail savings and annuity new business in Namibia.

The VNB declined to negative R18 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 Myriad expense basis changes as well as lower new business volumes, particularly on retail savings and retail risk business, against a largely fixed cost base. This was partially offset by positive VNB contributions from Lesotho and Botswana. The new business margin was -0.6% for the year.

NEW INITIATIVES

New Initiatives includes Aditya Birla Health Insurance (a health insurance associate in India), Momentum Money (a bundled transactional banking and savings solution), the operating expenses of Exponential Integration, as well as other local start-up operations.

R million	F2023	F2022	Δ%
Aditya Birla Health Insurance (ABHI)[6]	(251)	(338)	26%
Other[7]	(177)	(128)	(38)%
Normalised headline earnings	**(428)**	**(466)**	**8%**

6 Results for the India investment are reported with a three-month lag, The dilution of the 49.0% stake in ABHI to 44.1% was concluded during October 2022. Results include support costs incurred by Momentum Metropolitan outside of the associate.

7 "Other" includes Momentum Money and Momentum Consult. The prior period includes -R1 million from aYo which was sold in September 2021.

Aditya Birla Health Insurance

ABHI normalised headline earnings were a loss of R251 million, an improvement from the R338 million loss in the prior year. This improvement is largely attributable to good growth in gross written premium and the prior year being significantly impacted by Covid-19. Although Covid-related claims have subsided relative to the prior year, the claim ratio was negatively impacted by an increase in the number and average size of claims due to delayed diagnostic and preventative medical procedures. ABHI is focused on a drive to increase volumes and market share which will improve its expense ratio.

Gross written premiums increased by 69% to R5.9 billion, with robust growth in both retail and group business.

Other

The largest other new initiative is Momentum Money, which recorded a slightly higher loss compared to the prior year, but in line with expectations. This initiative bundles a low-cost transactional banking capability with a digital savings account that offers competitive interest rates, without restrictive requirements such as minimum balances and lock in periods. The cash-back payments from Momentum Multiply and voluntary deposits made by clients can be deposited into the savings account. The transactional banking features will enable the business to focus on its growth strategy of product house partnerships with the rest of the MMH Group in an effort to lead the money management journey for clients.

SHAREHOLDERS SEGMENT

R million	F2023	F2022	Δ%
Operating loss	(111)	(289)	62%
Investment return	24	456	(95)%
Investment income	119	13	>100%
Fair value (losses)/gains	(95)	443	<(100)%
Normalised headline earnings	**(87)**	**167**	**<(100)%**

The Shareholders segment reported a normalised headline earnings loss of R87 million, compared to a profit of R167 million in the prior year. This was predominately due to a decline in investment return because of the implementation of a downward liquidity adjustment on the Group's investment in VC funds whereas the prior year included significant fair value gains on the same VC assets. Operating losses improved from R289 million in the prior year to R111 million, largely due to a fair value gain of R98 million (compared to a fair value loss of R138 million in the prior year) on the preference shares issued by iSabelo in the latter part of F2021.

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 2023

R million	Momentum Metropolitan Life	Guardrisk Insurance	Guardrisk Life	Momentum Insure
Eligible own funds (pre dividend)	31 526	3 810	4 264	1 292
SCR	15 210	2 918	3 676	820
SCR cover (times)	**2.07**	**1.31**	**1.16**	**1.58**

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**

Momentum Metropolitan Life has adopted a target range for regulatory solvency cover of 1.6 to 2.0 times the SCR before any declared dividend. The regulatory solvency position of Momentum Metropolitan Life increased from 2.03 times SCR at 30 June 2022 to 2.07 times SCR (pre foreseeable dividend) at 30 June 2023. This improvement in solvency cover was predominantly due to improved mortality and morbidity experience, good investment returns and the positive impact of increases in the nominal yield curve over the financial year.

The SCR cover for Guardrisk Insurance increased from 1.18 times SCR to 1.31 times SCR, supported by increased promoter cell own funds due to good performance by the promoter business. This was offset slightly by an increase in cell SCR mainly due to the growth of various large cells and increased reinsurance retention levels. The SCR cover for Guardrisk Life decreased slightly from 1.17 times SCR to 1.16 times SCR but remains above the target range. The own funds and SCR increased over the year mainly because of the section 50 transfer of the Momentum Ability business to Guardrisk Life. The nominal yield curve movements had mixed impacts on the own funds and SCR of the long contract boundary cells and promoter. The SCR covers of both Guardrisk licences remained within or above their respective target ranges.

The SCR cover for Momentum Insure increased from 1.41 times SCR at 30 June 2022 to 1.58 times SCR at 30 June 2023. Momentum Insure's solvency position was negatively affected by high claim ratios over the financial year and capital was deployed to Momentum Insure to maintain the solvency position 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. The Accounting Consolidation method is used for certain group entities (notably Momentum Metropolitan Life and Momentum Insure).

Momentum Metropolitan Holdings has adopted a target range for group regulatory solvency cover of 1.4 to 1.7 times the SCR. Momentum Metropolitan Holdings Group SCR cover was 1.6 times SCR at 30 June 2023.

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 2023.

OUTLOOK

We are proud of the solid earnings Momentum Metropolitan achieved during a challenging period. Our dividend declaration reflects the continued resilience of the Group and the Board's confidence in the underlying financial strength of the business. The Group's strong results in the second year of the three-year Reinvent and Grow strategy are encouraging and confirm our solid competitive position.

The positive mortality experience variances in our main life insurance business units continue to suggest that the Covid-19 pandemic has reached its endemic phase. The normalisation of mortality experience, combined with the disciplined execution of our strategy and ongoing focus on efficiency, means that we expect our earnings to remain robust in F2024.

While our earnings outlook has improved, recent pressure on sales volumes is a concern. Disposable income remains under pressure due to rising interest rates and high inflation, as well as the lack of economic growth in South Africa (SA). This is likely to put ongoing affordability pressure on new business volumes, particularly on long-term savings and on protection business. Investment business is negatively affected by other factors, such as low confidence in SA asset classes and by consumer preference to maintain their assets in liquid low-risk investments. New business volumes and profitability is receiving significant management attention.

We remain focused on driving sales volumes and a profitable sales mix to improve market share growth and will continue to focus on achieving the Reinvent and Grow business targets for F2024. The release of Covid reserves and favourable investment experience variances are unlikely to support earnings to the extent they have this year, we believe that the underlying run rate of earnings is approximately R4 billion per annum.

Our next set of results will be prepared on an IFRS 17 basis, and we will communicate the revised medium-term targets in due course. It should be noted that the introduction of IFRS 17 is expected to reduce earnings modestly (by less than 5% at Group level).

BOARD AND BOARD COMMITTEE CHANGES

In compliance with paragraph 3.59 of the JSE Limited (JSE) Listings Requirements and paragraph 6.39 of the JSE Debt Listings Requirements, shareholders and noteholders are advised of the following changes to the Group Boards and Committees:

Retirement of Mr Hilgard Pieter (Hillie) Meyer

Further to the announcement released on the Stock Exchange News Service on 23 June 2023, Hillie will be formally retiring as an Executive Director of MMH and MML, with effect from 30 September 2023. Hillie will also be retiring as a member of the Group's Risk, Capital and Compliance as well as Social, Ethics and Transformation committees, with effect from 30 September 2023.

13 September 2023
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)