momentum
METROPOLITAN

Operating Update

for the six months ended 31 December 2023

momentum | momentum multiply | METROPOLITAN | GUARDRISK | EZIS

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 SIX MONTHS ENDED 31 DECEMBER 2023

Summary of key metrics

As a result of the introduction of IFRS 17, the new accounting standard for insurance contracts, certain prior comparative results have been restated.

Key metrics	1HF2024	Restated[1] 1HF2023	Δ%
Earnings per share (cents)	**159.9**	144.5	11%
Headline earnings per share (cents)	**159.9**	108.0	48%
Normalised headline earnings per share (cents)[2]	**168.0**	113.7	48%
Normalised headline earnings (R million)[2]	**2 424**	1 704	42%
Operating profit (R million)[3]	**2 025**	1 195	69%
Investment return (R million)	**399**	509	(22)%
New business (PVNBP, R million)[4]	**39 103**	33 268	18%
Value of new business (VNB, R million)[4]	**200**	324	(38)%
New business margin[4]	**0.5%**	1.0%	
Diluted embedded value per share (Rand)[4]	**35.01**	31.39	12%
Return on embedded value per share[4]	**12.0%**	15.6%	
Return on equity[5]	**17.8%**	15.5%	
Dividend per share (cents)	**60**	50	20%

1 The IFRS 17 – *Insurance Contracts (IFRS 17)* standard became effective for the Group from 1 July 2023. As such the prior period's accounting has been restated for the application of IFRS 17. Refer to the condensed consolidated interim financial statements for more information.

2 Normalised headline earnings adjust the JSE definition of headline earnings for the impact of finance costs related to preference shares that can be converted into ordinary shares of the Group when it is anti-dilutive, the impact of treasury shares held by 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. 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.

3 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.

4 Prior period embedded value (EV) reporting has not been restated for the changes introduced by IFRS 17.

5 Return on equity expresses normalised headline earnings as a percentage of start-of-year net asset value. In this calculation NAV is adjusted for the items outlined in footnote 2, consistent with NHE.

MOMENTUM METROPOLITAN CONTINUES TO DELIVER ROBUST EARNINGS

Operating profit growth illustrates strength of core operations

Introduction

Our business model of empowered, accountable business units has once again demonstrated its resilience and agility, assisting the Group to withstand the challenging operating environment and report good financial performance during the period.

Most business units performed in line with expectations, delivering robust operating earnings. Many of the business unit results were further bolstered by a strong improvement in investment income on the back of higher interest rates. Earnings were further positively impacted by a favourable change in the shape of the yield curve in Momentum Retail and Momentum Metropolitan Africa, improved persistency experience in Metropolitan Life, continued record life annuity sales volumes in Momentum Investments and strong underwriting experience in Momentum Corporate.

Key highlights from our management focus areas include:

- Our continued focus on ensuring the sustainability of life annuity sales volumes, by enhancing the client and adviser experience and enabling product and propositional enhancements that differentiate us in the market, has resulted in the solid growth experienced during the period.
- Metropolitan Life continues to deliver to its five-point turn-around plan. It has started seeing an increase in the premium collection rates with early duration lapses improving, highlighting an improvement in the quality of business written.
- Momentum Insure's claim ratio improved to 71%, compared to 73% in the prior period. This is despite the severe flooding in the Western Cape during September 2023 and the November 2023 Gauteng hailstorm, reflecting the positive impact of underwriting measures Momentum Insure management has implemented.

While earnings have improved, an area receiving significant management attention is new business volumes and profitability. While strengthening of actuarial assumptions has had a negative impact on new business profitability, it does not change the fact that current new business margins are not at desired levels. We will continue to focus on driving sales volumes and improving the sales mix to increase value of new business (VNB) outcomes.

This operating update is our first under the new accounting standard for insurance contracts, IFRS 17. We have also updated our internal segments to more accurately reflect the way the business is managed. The key change is the alignment of the various Multiply incentive and rewards programme activities to the relevant business units. Prior periods have been restated to ensure a fair comparison.

Overview of financial results

On the restated basis, the Group delivered normalised headline earnings (NHE) of R2 424 million for the six months ended 31 December 2023, up 42% on the prior period. Normalised headline earnings per share continued to benefit from the share repurchases and increased by 48% from 113.7 cents to 168.0 cents. Headline earnings per share increased by 48% from 108.0 cents to 159.9 cents and earnings per share improved by 11% from 144.5 cents to 159.9 cents.

Operating profit improved by 69% to R2 025 million, supported by increased investment income from the assets in the portfolios backing policyholder liabilities and the benefit of a favourable change in the shape of the yield curve in Momentum Retail. Momentum Investments' operating profit was supported by solid growth in life annuities new business volumes and higher mortality profits from the annuities business. A significant improvement in the persistency experience on the protection business is the largest contributor to Metropolitan Life's improved operating profit. Momentum Corporate's operating profit was aided by the claims experience in its protection business and the refinement of its reinsurance strategy. Momentum Metropolitan Health earnings declined marginally, reflecting continued pressure on membership in the Momentum medical scheme and the corporate market segment. Guardrisk's earnings remained relatively stable. The improvement in Momentum Insure's operating loss was due to increased investment income and a modest improvement in the loss ratio. Momentum Metropolitan Africa's significantly improved result was primarily due to the increase in investment income from Namibia. The improvement in India's operating loss was aided by strong growth in gross written premiums relative to modest growth in operating expenses.

Investment return from the Group's shareholder assets declined by 22% to R399 million, mainly attributable to the non-repeat of a significant increase in the valuation of an option to purchase a share of a UK technology business in the prior period. This decline was partly offset by an increase in the fair value gains relating to the share hedge and higher returns achieved on shareholder portfolios in the favourable interest rate environment.

The Group's present value of new business premiums (PVNBP) increased by 18% to R39.1 billion. This growth was flattered by a reduction in the discount rate used to calculate the present value of premiums to align with the risk neutral valuation methodology used for IFRS 17. Momentum Retail saw good growth in long-term savings and protection new business volumes. Momentum Investments continued to benefit from good performance in life annuities and the Momentum Wealth investment platform business. Metropolitan Life's PVNBP was impacted by the decline in protection and long-term savings new business volumes, partially offset by good growth in annuities. Momentum Corporate saw solid growth in structured investment flows which are, however, at low margin, while recurring protection business premiums declined. Momentum Metropolitan Africa's PVNBP was positively impacted by improved corporate, retail protection and savings new business volumes in Namibia.

The Group's VNB declined by 38% from the prior period to R200 million, largely because of the strengthening persistency and expense basis implemented on 30 June 2023, which resulted in VNB being calculated on a more prudent basis than in the prior period, most significantly for Metropolitan Life. The overall Group new business margin declined to 0.5%.

Under IFRS 17, the contractual service margin (CSM) is established at initial recognition of an insurance contract. It represents a store of future profit held on the balance sheet which, together with the risk adjustment for non-financial risk, is expected to be released into earnings over the period of the insurance contracts. The CSM on covered business increased from R17.9 billion to R18.5 billion over the six-month period ended 31 December 2023. This was driven by the new business contribution benefiting from higher annuity sales, favourable experience variances and the expected growth in the CSM due to accretion on the opening balance. The CSM becomes an important metric under IFRS17 to assess the future revenue of an entity.

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 2.07 times SCR at 30 June 2023 to 2.11 times SCR at 31 December 2023. This is above the upper end of MML's target range of 1.6 to 2.0 times SCR. Momentum Metropolitan Holdings' Group SCR cover increased from 1.6 times SCR to 1.7 times SCR over the reporting period.

The Group is pleased to declare an interim dividend of 60 cents per ordinary share, representing an increase of 20% on the prior period, together with R500 million allocated for further share repurchases.

Return on equity (ROE) was 17.8% (annualised) for the current period, an improvement from 15.5% in the prior period. This increase follows the Group's earnings improvement and an ongoing focus on capital efficiency. Group embedded value per share was R35.01 as at 31 December 2023. The annualised return on embedded value per share was 12.0%.

CAPITAL MANAGEMENT ACTIVITIES

The Group remains focused on actively managing its capital resources that are demarcated into required, discretionary and surplus capital. In accordance with our capital management framework, surplus capital will be distributed through ordinary dividends, special dividends, share buybacks, or reinvested in other strategic opportunities.

Share buyback programme

The Group has completed R1.75 billion in share buyback programmes through three tranches over the past 18 months, with the first R750 million tranche being completed on 26 October 2022, the second R500 million tranche on 31 May 2023 and the third R500 million tranche on 26 November 2023. For the third tranche, the Group bought back 24 million shares (1.69% of the shares in issue as at 30 June 2023), at an average price of R20.70 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 an interim dividend of 60 cents per ordinary share. The interim dividend represents a payout ratio of 36% of normalised headline earnings.

In line with the approach followed since we instituted a share buyback programme, the dividend is towards the lower end of the dividend payout range. 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 were made during the period:

Areas of capital deployment	R million
Momentum Retail	2
Momentum Investments	137
Momentum Metropolitan Health	112
Momentum Metropolitan Africa	111
Shareholders	197
Total capital deployment	**559**

In Momentum Retail, capital was deployed for the acquisition of two small distribution businesses. Capital of R137 million was deployed to Momentum Investments to support Momentum Money's development to profitability. R112 million was deployed to Momentum Metropolitan Health for Momentum Multiply's capital support and R111 million capital was deployed to Momentum Metropolitan Africa to meet the central costs of operating the business. In the shareholder's segment, R179 million was invested in two Venture Capital funds and R18 million was utilised for a solar installation project at our key business locations.

REINVENT AND GROW STRATEGY PROGRESS

We continued to focus on the successful execution of the Group's Reinvent and Grow strategy. With only six months of the three-year Reinvent and Grow strategy left, we are confident that Momentum Metropolitan will achieve most of the objectives of the strategy by 30 June 2024:

- **Grow existing channels:** Intermediaries continue to play a critical role in offering advice and assistance to clients. We have optimised our existing face-to-face channels and digitally enabled intermediaries to service their clients more effectively, improving client and intermediary experiences. Specialisation in our channels has resulted in improved collaboration across the Group. However, following growth and retention challenges, Metropolitan Life took a strategic decision to reduce the number of tied agents to just above 3 200 and focus more on the quality of the agency force.
- **Establish new channels:** We established new channels across the Group and are pleased that sales volumes for these channels accelerated with encouraging growth of direct Myriad digital sales. The Metropolitan Life tele channel, broker and affinity channel delivered strong growth.
- **Accelerate digital:** A highlight of our objective to accelerate digital was the successful launch of a fully digital onboarding solution in Myriad. We digitised most of our new solutions, client communication and use chatbots in self-service solutions across the Group. The Group invested in two further Venture Capital funds that are focused on InsurTech start-ups. This will ensure that we remain close to the latest technology trends and their application in insurance markets.
- **Product and service leadership:** A key factor in achieving product and service leadership is to accurately meet the needs of our clients and supporting intermediaries. Several new solutions have been launched over the period of Reinvent and Grow. These include the launch of LifeReturns™, a fully digital underwriting solution in Myriad, a hybrid annuity solution in Momentum Investments, a fully digital product in Momentum Corporate and improvements to our loyalty, wellness and rewards programmes.

The strategy for the next three years post Reinvent and Grow will be announced at the start of the new financial year.

REPORTING SEGMENTATION

We have aligned our reporting segments with our updated internal operating structure. This enables us to report more meaningfully on the way the business is managed by the Group's leaders. The New Initiatives segment falls away. Momentum Multiply is now split between the business units utilising their tailor-made incentive and reward programmes. India becomes its own segment.

The historic segment of Momentum Life, which previously included protection and savings products focused on the middle and affluent client segments and Momentum Multiply, has been rebranded to Momentum Retail. This segment now includes two additional distribution channels, Momentum Distribution Services and Consult by Momentum, which were previously reported under Momentum Investments and New Initiatives respectively. Momentum Financial Planning was always included as part of Momentum Life. The rewards element of Momentum Multiply (now rebranded to 'Thrive') remains in this segment while the Wellness component of Multiply has been allocated to Momentum Metropolitan Health.

Momentum Investments, which previously consisted of the Momentum Wealth investment platform business, local and offshore asset management operations, retail annuities and guaranteed investments and Eris Properties, now also includes Momentum Money, a digital transactional account and savings wallet for clients.

The Non-life Insurance segment has been split into two separate segments, Guardrisk and Momentum Insure, reflective of the different nature of the two businesses.

Exponential Integration, which includes our local and offshore venture capital (VC) funds, as well as our interest in other local start-up operations, has moved into the Shareholders segment. This was previously split between New Initiatives (where the annual running costs of the direct investments, as well as management fees payable to the SA-based venture capital fund manager are recognised) and the Shareholders segment (where the investment return is recorded).

There are no changes to the Metropolitan Life, Momentum Corporate and Momentum Metropolitan Africa reporting segments.

The prior period numbers are restated to provide meaningful comparisons for these new reporting segments.

CONSOLIDATED GROUP FINANCIAL PERFORMANCE

Group financial performance

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

	1HF2024			Restated 1HF2023			Δ%		
R million	Operating profit/ (loss)	Investment return	Normalised headline earnings	Operating profit/ (loss)	Investment return	Normalised headline earnings	Operating profit	Investment return	Normalised headline earnings
Momentum Retail[6]	**633**	**76**	**709**	262	120	382	>100%	(37)%	86%
Momentum Investments[6]	**222**	**46**	**268**	186	47	233	19%	(2)%	15%
Metropolitan Life	**254**	**45**	**299**	133	68	201	91%	(34)%	49%
Momentum Corporate	**554**	**70**	**624**	417	96	513	33%	(27)%	22%
Momentum Metropolitan Health[6]	**117**	**7**	**124**	126	4	130	(7)%	75%	(5)%
Guardrisk[6]	**349**	**11**	**360**	344	6	350	1%	83%	3%
Momentum Insure[6]	**(4)**	**35**	**31**	(93)	23	(70)	96%	52%	>100%
Momentum Metropolitan Africa	**64**	**220**	**284**	(61)	179	118	>100%	23%	>100%
India[6]	**(154)**	**1**	**(153)**	(165)	–	(165)	7%	100%	7%
Normalised headline earnings from operating business units	**2 035**	**511**	**2 546**	**1 149**	**543**	**1 692**	**77%**	**(6)%**	**50%**
Shareholders segment[6]	**(10)**	**(112)**	**(122)**	46	(34)	12	<(100)%	<(100)%	<(100)%
Normalised headline earnings	**2 025**	**399**	**2 424**	**1 195**	**509**	**1 704**	**69%**	**(22)%**	**42%**

[6] The prior period numbers are restated to provide meaningful comparisons for the new reporting segments.

Operating profit

Operating profit increased 69% to R2 025 million, supported by improved mortality and morbidity experience. In Momentum Retail this increase in operating profit follows improved investment income from surplus assets in the portfolios backing policyholder liabilities and the benefit of a favourable change in the shape of the yield curve. In Metropolitan Life, earnings were supported by the improvement in the persistency experience on protection business. Momentum Investments continued solid growth in life annuity new business volumes and higher mortality profits. The improved protection business claims environment and the refinement of the reinsurance strategy in Momentum Corporate contributed to operating profit growth. The marginal decline in Momentum Metropolitan Health's operating profit was due to continued pressure on membership in the Momentum medical scheme and the corporate market segment. Guardrisk's earnings remained stable. The operating loss in Momentum Insure improved significantly due to increased investment income. Africa was primarily aided by improved investment income from Namibia. The operating loss in India reduced due to strong growth in gross written premiums. The operating loss in the shareholders' segment is mainly due to tax payable on behalf of policyholders exceeding that recovered from policyholders over the reporting period.

Investment return

Investment return from the Group's shareholder assets declined by 22% to R399 million. This was mainly attributed to the non-repeat of a significant increase in the valuation of a call option held in a UK technology business following the closeout of a funding round in the prior period. This was partly offset by an increase in the fair value gains relating to the share hedge and return on shareholder investment portfolios.

CONSOLIDATED GROUP NEW BUSINESS PERFORMANCE

Prior period EV reporting has not been restated for the changes introduced by IFRS 17, as such the below metrics have not been restated.

Key metrics	1HF2024	1HF2023	Δ%
Recurring premiums (R million)	**1 866**	2 417	(23)%
Single premiums (R million)	**29 336**	23 227	26%
PVNBP[7] (R million)	**39 103**	33 268	18%
VNB (R million)	**200**	324	(38)%
New business CSM (R million, pre-tax)	**720**	736	(2)%
New business margin	**0.5%**	1.0%	

The table below shows the PVNBP[7] by business unit:

R million	1HF2024	1HF2023	Δ%
Momentum Retail	**4 255**	3 598	18%
Momentum Investments	**22 390**	19 004	18%
Metropolitan Life	**3 231**	3 552	(9)%
Momentum Corporate	**7 703**	5 831	32%
Momentum Metropolitan Africa	**1 524**	1 283	19%
Total PVNBP	**39 103**	**33 268**	**18%**

[7] To align with the "market consistent methodology" used for IFRS 17 and following a revision in the embedded value (EV) PVNBP is calculated on a risk-free discount rate while it was previously calculated at a risk discount rate.

The Group's PVNBP for the six months was R39.1 billion, an 18% improvement from the prior period. Note that the PVNBP calculation is now done using risk-neutral discount rates to align with IFRS 17. Momentum Retail saw higher new business volumes in both protection and long-term savings business. Momentum Investments delivered solid growth in annuities and Momentum Wealth's investment platform business. Metropolitan Life saw a decline in protection and long-term savings new business volumes as a result of a smaller agency force, partially offset by good growth in single premium annuities. Momentum Corporate delivered pleasing new business volume growth in structured investment flows, but these are at low margins. Momentum Metropolitan Africa saw improved corporate, retail protection and savings new business volumes in Namibia.

The table below shows the VNB by business unit:

R million	1HF2024	1HF2023	Δ%
Momentum Retail	**(40)**	(7)	<(100)%
Momentum Investments	**335**	183	83%
Metropolitan Life	**(85)**	84	<(100)%
Momentum Corporate	**7**	74	(91)%
Momentum Metropolitan Africa	**(17)**	(10)	(70)%
Total VNB	**200**	**324**	**(38)%**

The Group's VNB declined by 38% to R200 million, largely driven by the strengthening of persistency and expense basis at the end of June 2023. Metropolitan Life was most affected by this. VNB was further impacted by a general change in new business sales mix toward lower margin products.

Except Momentum Investments, which delivered a strong VNB contribution of R335 million, VNB was lower than the prior period across all the business units. Momentum Investments' VNB was driven by the increase in new business volumes and the continued shift in new business mix towards higher margin annuities. Momentum Retail's VNB of negative R40 million resulted mainly from an increase in the cost of capital (following the increase in required capital for Momentum Retail). Metropolitan Life's VNB deteriorated to a loss of R85 million, largely due to the strengthening of persistency and expense assumptions at the end of June 2023 and the decline in new business volumes. In Momentum Corporate, VNB declined to R7 million from R74 million in the prior period, largely due to the business mix being weighted towards lower-margin investment business. VNB in Momentum Metropolitan Africa declined to a loss of R17 million, largely driven by a decline in profitable corporate business secured in Botswana and Lesotho as well as increased expenses in Lesotho. Overall, the Group's new business margin declined to 0.5%.

It should be noted that the embedded value (EV) methodology adopted because of the implementation of IFRS17 had an adverse impact on the group's VNB in aggregate. Although the impact is muted across the Group, it is differentiated by product type which means that a per segment comparison to the prior period may not be beneficial.

New business contribution to CSM

New business contributed R720 million to the closing CSM. The contribution from Momentum Investments was much higher than that of the other segments due to the relatively high volumes of profitable annuity business written. The contribution from this line of business also increased when compared to the prior period while the contribution from Metropolitan Life declined.

It should be noted that the CSM contributed by Guardrisk business is excluded from these quantities as the majority relates to business where in-substance reinsurance (which does not generate a CSM) has an equal and opposite impact on the accounts.

EMBEDDED VALUE

Following the transition to IFRS 17, the Group revised its embedded value (EV) valuation methodology for covered business to incorporate some of the features in IFRS 17, thereby simplifying the translation from the IFRS balance sheet to what is reflected in EV reporting. However, prior period EV has not been restated for the changes introduced by IFRS 17 and the subsequent revision of the EV methodology. The changes to EV are reported as an opening methodology change and are shown under "exceptional items" in the analysis of changes in the Group's embedded value.

Embedded value earnings (R million)	**1HF2024**	**1HF2023**	**Δ%**
Embedded value at the start of the period (as at 1 July)	**49 035**	45 428	
Change in embedded value before capital flows	**2 479**	2 721	(8.9)%
Embedded value earnings from operations (covered)	**1 950**	1 955	(0.3)%
Embedded value earnings attributable to investment markets	**835**	1 024	(18.5)%
Embedded value earnings from exceptional items	**(520)**	–	<(100)%
Embedded value earnings from non-covered businesses	**214**	(258)	>100%
Capital flows	**(1 491)**	(1 666)	10.5%
Embedded value at the end of the period (as at 31 December)	**50 023**	**46 483**	**7.6%**
Embedded value per share	**35.01**	31.39	11.5%
Return on embedded value (ROEV)	**10.4%**	12.3%	
ROEV on covered business	**13.1%**	18.7%	
ROEV on non-covered business	**3.2%**	(4.2)%	
ROEV per share (annualised)	**12.0%**	**15.6%**	

The transition to IFRS 17 and subsequent revision of the EV methodology for covered business reduced the embedded value by R520 million and the ROEV by 2.1% on an annualised basis (shown under "Exceptional Items" in the analysis). The reduction is mainly due to the adoption of a risk neutral approach for the EV which in aggregate reduces the value placed on future earnings.

Covered business returns from operations were positive for the six months, with operating experience variances and market impacts contributing positively to EV earnings. Earnings from operations were R1 950 million, an 8.1% contribution to ROEV on an annualised basis, a slight decline from the prior period.

New business earnings contributed 0.8% to ROEV (annualised), a decline from the 1.4% contribution in the prior period. New business in Metropolitan Life saw the largest reduction in value, mainly as a result of the first-time inclusion of the underwriting basis changes made in June 2023. In Momentum Corporate the reduction in new business was mainly due to lower margin investment business written. Momentum Investments new business showed strong growth year-on-year, benefiting from continued growth in profitable life annuity sales.

Mortality and morbidity claims experience was positive and improved further compared to the prior period. Persistency and expense variances were negative for the period, reflecting the tough economic environment and our ongoing investment in digital transformation of the Group.

EV earnings attributable to investment market variances added R835 million to EV earnings, a 3.4% contribution to ROEV on an annualised basis. The decline from the R1 024 million earnings contribution in the comparative period is mainly because of the lower positive returns generated by investment markets. This was partially offset by an increase in total investment income earned on shareholder net worth following the one-off release of policyholder liabilities and the subsequent transfer to net worth arising from the transition to IFRS 17.

Non-covered businesses contributed positively to EV earnings, which was driven by strong performance from Guardrisk.

Capital flows represent the Group's capital deployment, dividend and share buyback.

Group embedded value per share was R35.01 as at 31 December 2023. The return on embedded value (ROEV) was an annualised 10.4% for the six months ended 31 December 2023. The ROEV per share was enhanced by our share buyback programme, ultimately reflecting a 12.0% return.

SEGMENTAL PERFORMANCE

Momentum Retail

R million	1HF2024	Restated 1HF2023	Δ%
Operating profit	633	262	>100%
Investment return	76	120	(37)%
Normalised headline earnings	**709**	**382**	**86%**
Closing CSM (as at 31 December)	8 770	8 027	9%
Recurring premium new business	535	519	3%
Single premium new business	1 296	1 111	17%
PVNBP	4 255	3 598	18%
VNB	(40)	(7)	<(100)%
New business margin (%)	(0.9)%	(0.2)%	

Normalised headline earnings

Momentum Retail's normalised headline earnings improved strongly from R382 million to R709 million in the current period. This result was largely due to the change in the shape of the yield curve, which saw a decrease at short durations and a marginal increase at longer durations, thereby positively impacting the value of future protection business cash flows. Under IFRS 17 we now allow for voluntary premium increases in our projection of fulfilment cash flows. This has changed the yield curve sensitivity of reported earnings for Momentum Retail. Operating profit growth was partially offset by the decrease in investment return following a reduction in assets in the portfolios backing policyholder liabilities due to IFRS 17.

Myriad's key focus remains the entrenchment of our new LifeReturns proposition, a sophisticated point-of-sale risk selection and discount mechanism, with uptake reaching 80% at the end of the period. This uptake will, in future, positively impact on the cost and accuracy of underwriting and improve client engagement and persistency.

Contractual service margin

The CSM for Momentum Retail remained flat at R8 770 million over the six months ended 31 December 2023. New business added R130 million to the opening CSM, experience variances added R60 million, and interest accretion added R410 million (effective annualised accretion rate of 9%). This was offset by R600 million released from the CSM into earnings for the six months. The release for the period was 12% (annualised) of CSM, which is consistent with what we expect to be recognised into earnings in the future.

New business

Momentum Retail's PVNBP improved by 18% to R4.3 billion, reflecting a 20% improvement in protection new business and a 17% increase in long-term savings business. On an annual premium equivalent (APE) basis, protection new business volumes declined by 4%, while long-term savings volumes increased 12%.

VNB worsened to a loss of R40 million largely driven by an increase in the cost of capital (following the increase in required capital for Momentum Retail) which translated to a new business margin of -0.9%.

Momentum Investments

R million	1HF2024	Restated 1HF2023	Δ%
Momentum Investments	302	277	9%
Momentum Money	(34)	(44)	23%
Normalised headline earnings	**268**	**233**	**15%**
Operating profit	222	186	19%
Investment return	46	47	(2)%
Closing CSM (as at 31 December)	3 355	2 603	29%
Recurring premium new business	139	106	31%
Single premium new business	21 768	18 593	17%
PVNBP	22 390	19 004	18%
VNB	335	183	83%
New business margin (%)	1.5%	1.0%	

Normalised headline earnings

Normalised headline earnings increased 15% to R268 million, this includes a 19% increase in operating profit to R222 million and a 2% decline in investment return.

Operating profit was primarily aided by the continued solid growth in new business volumes and higher mortality profits from the annuities business. This improvement in operating profit was, however, partially offset by higher expenses and lower asset-based fee income from the UK investment management business.

Included in the Momentum Investments normalised headline earnings is Momentum Money, a bundled transactional banking and savings solution. Momentum Money reported a net loss of R34 million, an improvement from the loss of R44 million in the prior period.

Contractual service margin

The CSM for the annuity book increased 17% to R3 355 million over the six-months ended 31 December 2023. This includes R447 million new business CSM, R139 million interest accretion against the CSM and positive experience variances of R114 million, all gross of tax. This is partially offset by R207 million CSM released into earnings for the six months. The release for the period was 12% (annualised) of CSM, slightly ahead of what we expect to be recognised into earnings in future.

New business

PVNBP for Momentum Investments improved 18% to R22.4 billion, driven by strong new business volumes on annuities and on Momentum Wealth investment platform business.

VNB improved from R183 million to R335 million. This robust performance was driven by the increase in new business volumes and a change in new business mix towards higher margin annuities. This contributed to the improvement in the new business margin to 1.5%.

Assets under management and administration

R billion	1HF2024	Restated 1HF2023	Δ%
On-balance sheet Momentum Wealth	**162**	156	4%
Off-balance sheet Momentum Wealth	**84**	81	4%
Non-covered business (Investment Management)	**616**	621	(1)%
Assets under management and administration	**862**	**858**	**0%**

Assets under management on the Momentum Wealth investment platform business increased by 4% and were supported by positive market movements. Assets under management in the non-covered investment management business declined marginally with net flows under pressure as consumers withdraw savings to fund liquidity needs. Included in these numbers is the acquisition of Crown Agents Investment Management, which contributed R17.1 billion to institutional assets under management.

The purchase of the OUTsurance Group Limited stake in the RMI Investment Managers Group has been approved by the Competition Commission and the conditions precedent are expected to be fulfilled by the end of March 2024.

Metropolitan Life

R million	1HF2024	Restated 1HF2023	Δ%
Operating profit	**254**	133	91%
Investment return	**45**	68	(34)%
Normalised headline earnings	**299**	**201**	**49%**
Closing CSM (as at 31 December)	**3 839**	4 186	(8)%
Recurring premium new business	**828**	897	(8)%
Single premium new business	**897**	850	6%
PVNBP	**3 231**	3 552	(9)%
VNB	**(85)**	84	<(100)%
New business margin (%)	**(2.6)**	2.4	

Normalised headline earnings

Metropolitan Life's normalised headline earnings of R299 million were 49% higher than the prior period. Operating profit increased from R133 million to R254 million, mainly because of a significant improvement in the persistency experience on the protection business following the strengthening of the actuarial basis at the end of F2023 and some improvements in actual observed lapse experience.

The increase in operating profit was partially offset by the lower mortality experience variance due to weakening of the mortality basis in June 2023.

Contractual service margin

The CSM declined marginally from R3 860 million at 30 June 2023 to R3 839 million at 31 December 2023. This includes new business contribution of R64 million, interest accretion of R110 million and experience variances added R68 million, offset by R263 million being released into earnings for the six months. The release for the period was 12% (annualised) of CSM, which is in line with what we expect to be recognised in the future.

New business

Metropolitan Life's new business volumes of R3.2 billion declined 9% from the prior year. While there was good growth in annuities, protection business and long-term savings new business volumes declined. This follows the decision to limit the number of tied agents to just over 3 200. Despite the shrinkage in the agency force, the number of more experienced advisers (advisers with a tenure of more than 12 months) remained stable. This positively influenced the quality of business written with early duration lapses decreasing.

VNB deteriorated to a loss of R85 million, largely due to the strengthening of persistency and expense basis at the end of June 2023 (approximately R150 million impact) and the decrease in new business volumes, partially offset by an improvement in the quality of new business. The new business mix remained weighted towards lower-margin savings products and protection products with limited underwriting, which further impacted the new business margin.

In the upcoming 12 to 18 months, Metropolitan Life will continue to deliver on its five-point plan, involving:

- Enhancing product commerciality through repricing exercises and ensuring that all benefits deliver requisite shareholder value;
- Efficiently managing the channel workforce by closely managing adviser vesting, productivity and access to sufficient worksites;
- Improving business quality by enhancing premium collection systems and proactive policy retention efforts;
- Aligning the cost base to revenue, and
- Implementing migration and automation measures.

Momentum Corporate

R million	1HF2024	Restated 1HF2023	Δ%
Operating profit	**554**	417	33%
Investment return	**70**	96	(27)%
Normalised headline earnings	**624**	**513**	**22%**
Closing CSM (as at 31 December)	**966**	993	(3)%
Recurring premium new business	**326**	711	(54)%
Single premium new business	**5 081**	2 205	>100%
PVNBP	**7 703**	5 831	32%
VNB	**7**	74	(91)%
New business margin (%)	**0.1%**	1.3%	

Normalised headline earnings

Momentum Corporate's normalised headline earnings improved 22% to R624 million in the current period. This includes an improvement of 33% in operating profit to R554 million, slightly offset by a 27% decline in investment return to R70 million. The improvement in operating profit was aided by improvement in the protection business claims experience, continued assessment and refinement of our reinsurance strategy, and positive investment variances from the interest rate environment. This was partially offset by lower investment fees and lower trading profits.

Contractual service margin

The CSM increased marginally from R960 million in the prior period to R966 million over the six-month period. It should be noted that most of Corporate's business is accounted for either under the premium allocation approach (PAA) within IFRS 17 or as IFRS 9 business (investment contracts). As such the absolute size of the CSM in Corporate is small relative to the operating profits generated by the business unit. New business did not contribute to the CSM during the six months due to low annuity sales. CSM growth was from interest accretion of R27 million and experience variances of R37 million. CSM of R59 million was released into earnings for the six months ended 31 December 2023, resulting in a release of roughly 11% (annualised) of CSM. This is in line with what we would expect to be recognised into earnings in future reporting periods.

New business

Momentum Corporate's PVNBP of R7.7 billion increased by 32% compared to the prior period. This result was bolstered by solid growth in single premium flows which benefited from improved structured investment flows. New business from recurring premiums declined 54% due to the non-repeat of a large recurring premium annuity deal onboarded in the prior period. The business continues to experience significant market pressure especially in the group risk environment and remains cautious about the expected claims experience. New business acquisitions in the current operating environment have lengthy lead times and tend to be lumpy. Deal flow secured in the first half will thus only reflect in the full year results, supporting a positive outlook on VNB.

VNB declined to R7 million from R74 million in the prior period, largely due to the business mix being weighted towards lower-margin investment business. The new business margin for the period was 0.1%, a decline from 1.3% reported in the prior period.

Momentum Metropolitan Health

R million	1HF2024	Restated 1HF2023	Δ%
Operating profit	**117**	126	(7)%
Investment return	**7**	4	75%
Normalised headline earnings	**124**	**130**	**(5)%**
Non-controlling interest (NCI)	**26**	50	(48)%
Normalised headline earnings gross of NCI	**150**	**180**	**(17)%**

Normalised headline earnings

Momentum Metropolitan Health's normalised headline earnings of R124 million declined 5% compared to the prior period. The decline in normalised headline earnings is largely due to continued pressure on fee income in the Momentum medical scheme and the corporate market segment, partially offset by good growth in fee income generated from the public sector and Health4Me, annual administration and managed care increases, and an increase in interest income. The increase in revenue was, however, insufficient to cover the increase in expenses during the period. The higher expenses are largely attributed to an increase in the staff base and additional IT investment costs incurred to enable operational execution.

Multiply has evolved to create a fit-for-purpose value proposition for the Health business. The new programme, Incentivised Wellness, aims to achieve health outcomes for all health clients including corporate schemes and GEMS. Although client take up has been lower than expected, Incentivised Wellness continues to allow the Health business to offer an integrated healthcare solution and remains a competitive advantage.

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 (5%) and Health4Me membership (18%). Membership in the Momentum Medical scheme (-2%) and the labour (-4%) and corporate (-3%) market segment declined, indicative of economic conditions placing pressure on employment numbers within the corporate client base and economic pressures faced by retail customers.

Guardrisk

R million	1HF2024	Restated 1HF2023	Δ%
Operating profit	**349**	344	1%
Investment return	**11**	6	83%
Normalised headline earnings	**360**	**350**	**3%**
Gross written premium	**2 588**	2 089	24%
GGI underwriting result[8]	**299**	349	(14)%

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

Guardrisk continued to benefit from its industry and product diversification, offsetting the impact of the tough trading conditions over the period.

Guardrisk's normalised headline earnings improved by 3% to R360 million, mainly supported by solid growth in management fee income across the mining rehab, volume and underwriting agency, and Guardrisk Life businesses. NHE was further supported by investment income benefiting from an optimisation of the investment strategy for the shareholder investment portfolio. This was partially offset by a 14% decline in Guardrisk General Insurance underwriting profits which can be attributed to the discounting, risk and sufficiency adjustments incorporated with IFRS 17 modelling. The discounting related to IFRS 17 modelling had a significantly positive effect on the prior period and was lower in the current period.

Expenses increased above inflation, primarily attributed to higher personnel costs incurred to build capacity for reporting requirements and future growth.

Momentum Insure

R million	1HF2024	Restated 1HF2023	Δ%
Operating loss	**(4)**	(93)	96%
Investment return	**35**	23	52%
Normalised headline earnings	**31**	**(70)**	**>100%**
Gross written premium	**1 635**	1 523	7%
Net insurance result	**68**	(5)	>100%
Claim ratio (%)	**71.1%**	73.1%	

Normalised headline earnings

Normalised headline earnings in Momentum Insure improved from a loss of R70 million to a profit of R31 million.

Gross written premiums increased by 7% to R1.6 billion, mainly aided by the impact of higher renewal increases implemented during the period. Persistency experience deteriorated slightly after the corrective actions taken to improve the claim ratio by terminating policies but remained well within appetite. Operating conditions during the period remained challenging, with new business growth prospects dampened by muted economic growth and the impact of further new business price adjustments focused on improving the claim ratio.

Satisfactory progress was made with the corrective actions taken to improve underwriting performance. Despite the severe flooding in the Western Cape during September 2023 and the November 2023 Gauteng hailstorm, the claim ratio improved to 71.1% compared to 73.1% in the prior period. The impact of these events on underwriting performance was exacerbated by a material increase in catastrophe reinsurance retention levels for the 2024 financial year.

Management expenses remain well controlled with the overall expense ratio improving from the prior period.

Capital injections of R200 million and R380 million were received in December 2022 and June 2023 respectively, to facilitate the recovery of Momentum Insure's solvency position back to levels consistent with our internal SCR coverage ratio targets. This resulted in a significant increase in investment income which further benefited from unrealised gains in the investment portfolio and higher interest rates.

Momentum Metropolitan Africa

R million	1HF2024	Restated 1HF2023	Δ%
Namibia	**251**	101	>100%
Botswana	**49**	6	>100%
Lesotho	**72**	69	4%
Ghana	**(3)**	17	<(100)%
Mozambique	**6**	(3)	>100%
Centre costs	**(91)**	(72)	26%
Normalised headline earnings	**284**	**118**	**>100%**
Operating profit/(loss)	**64**	(61)	>100%
Investment return	**220**	179	23%
Closing CSM (as at 31 December)	**1 567**	1 446	8%
Recurring premium new business	**210**	184	14%
Single premium new business	**584**	468	25%
PVNBP	**1 524**	1 283	19%
VNB	**(17)**	(10)	(70)%
New business margin (%)	**(1.1)%**	(0.8)%	

Normalised headline earnings

Normalised headline earnings improved to R284 million compared to R118 million in the prior period. This was mainly supported by investment income from Namibia following margin releases during the IFRS 17 transition, as well as a subsequent 1% reduction in the yield curve. The assets in Namibia are predominantly invested in bonds and benefited from bond returns of above 17% during the period. Lesotho and Botswana also earned decent investment returns. This was partially offset by higher new business strain in Namibia, Lesotho and Ghana and lower expense and persistency experience variances. Momentum Metropolitan Africa continued to see death and disability claims in line with expectations for most countries except Botswana, where mortality experience remains somewhat elevated.

The improvement in normalised headline earnings in Namibia from R101 million in the prior period to R251 million was mainly attributable to the benefit of the reduction in the Namibia yield curve.

Botswana's normalised headline earnings increased significantly from R6 million to R49 million, aided by an improvement in the health business claim ratio as well as the release of margins and investment income in the life business.

Lesotho's normalised headline earnings increased 4% to R72 million, boosted by an increase in earnings from the health business.

In Ghana, the decline in earnings to a loss of R3 million was mainly due to an increase in medical inflation within the health business and marginally lower asset management fees, partially offset by the Group reducing its cost allocations to Ghana.

Mozambique experienced a turnaround in results following interventions to improve business performance and solvency. This resulted in much improved claim experience and profitability in the second quarter.

Due to in-country tax codes and legislations along with the head office nature of some of the expenses, central cost on-charges are restricted in some jurisdictions. As such the Group reduced its central cost allocations to Ghana during the current period, thus contributing to the 26% increase in centre costs. Another contributor to centre costs was the fixed term contract roles required to execute migration projects.

Contractual service margin

The CSM increased from R1 446 million at 30 June 2023 to R1 567 million at 31 December 2023. The movement included R74 million for new business written, R43 million interest accretion against the CSM, and R100 million in economic and non-economic experience variances, offset by R97 million released into earnings. The release for the period was 11% (annualised) of CSM and this is consistent with what we expect to be recognised into earnings in the future.

New business

PVNBP for Momentum Metropolitan Africa improved by 19% to R1.5 billion compared to the prior period. This was mainly due to improved productivity in Namibia resulting in an increase in corporate, retail protection and savings new business volumes.

The VNB declined to negative R17 million, largely driven by a decline in profitable corporate business secured in Botswana and Lesotho as well as increased expenses in Lesotho. This was partially offset by the improvement in VNB from Namibia which benefited from improved protection volumes and the change to a market neutral approach for calculating EV. The new business margin was -1.1% for the period.

India

R million	1HF2024	Restated 1HF2023	Δ%
Operating loss	(154)	(165)	7%
Investment return	1	–	100%
Normalised headline earnings[9]	**(153)**	**(165)**	**7%**
Gross written premium	3 492	2 710	29%
Claim ratio (%)	75%	61%	

[9] Results for the India investment are reported with a three-month lag. The dilution of the 49.0% stake in ABHI to 44.08% was concluded during October 2022. Results include support costs incurred by Momentum Metropolitan outside of the associate and are reported on an IFRS 17 basis. As such results may differ from those published by Aditya Birla Health Insurance.

Normalised headline earnings

On an IFRS 17 basis, India's normalised headline earnings improved from R165 million loss in the prior six- month period to R154 million loss in the current period. This improvement is largely attributable to 29% growth in gross written premium to R3.4 billion, with robust growth in both retail and group businesses.

The claim ratio increased to 75% and was negatively impacted by greater benefit utilisation. This was due to the maturing of the in-force book resulting in an increase in the number of policyholders eligible to claim full benefits as waiting periods end. The claim ratio was further negatively impacted by the increased cost of healthcare provision in India and the impact of delayed diagnostic and preventative medical procedures. To address the high claim ratio, management continues to focus on product repricing, the management of new business sourcing, rigid underwriting and measures to more closely manage provider fraud, waste and abuse.

SHAREHOLDERS SEGMENT

R million	1HF2024	Restated 1HF2023	Δ%
Operating (loss)/profit	(10)	46	<(100)%
Investment return	(112)	(34)	<(100)%
Investment income	76	45	69%
Fair value (losses)/gains	(188)	(79)	<(100)%
Normalised headline earnings	**(122)**	**12**	**<(100)%**

The Shareholders segment reported a loss of R122 million compared to a profit of R12 million in the prior period. This was mainly due to the non-repeat of a significant increase in the valuation of a call option held in a UK technology business following the close out of a funding round in the prior period. Normalised headline earnings in the current period were also impacted by a negative tax variance that arose between taxes paid on behalf of policyholders versus tax-related charges levied on the same policyholder funds.

SOLVENCY

Regulatory solo solvency position of the Group's insurance entities

The solo solvency positions of the Group's key regulated insurance entities are as follows:

Regulatory solvency position as at 31 December 2023

R million	Momentum Metropolitan Life	Guardrisk Insurance	Guardrisk Life	Momentum Insure
Eligible own funds (pre-dividend)	**33 732**	**3 876**	**4 367**	**1 290**
SCR	**16 001**	**3 057**	**3 738**	**831**
SCR cover (times)	**2.11**	**1.27**	**1.17**	**1.55**

Regulatory solvency position as at 30 June 2023[10]

R million	Momentum Metropolitan Life	Guardrisk Insurance	Guardrisk Life	Momentum Insure
Eligible own funds (pre-dividend)	31 526	3 551	4 183	1 284
SCR	15 210	2 934	3 620	821
SCR cover (times)	**2.07**	**1.21**	**1.16**	**1.56**

[10] The 30 June 2023 results were restated to align with the final submission to the Prudential Authority following completion of the external audit.

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 MML increased from 2.07 times SCR at 30 June 2023 to 2.11 times SCR (pre foreseeable dividend) at 31 December 2023. The improvement in solvency cover was predominantly due to good investment returns and the positive impact of the general decrease in the Prudential Authority nominal yield curve at short to medium durations combined with a sharp increase at long durations.

The SCR cover for Guardrisk Insurance increased from 1.21 times SCR to 1.27 times SCR. The increase in own funds was mainly due to good performance by the promoter business and the strengthening of own funds for most cells. 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 increased slightly from 1.16 times SCR to 1.17 times SCR mainly due to the growth in own funds from increased profits from fees and increased risk participation by the promoter, as well as movements in the yield curve. This was offset by an increase in SCR due to the rise in implied inflation resulting from the greater increase in nominal yields relative to real yields. The SCR covers of both Guardrisk licences remained above their respective target ranges.

The SCR cover for Momentum Insure decreased from 1.56 times SCR at 30 June 2023 to 1.55 times SCR at 31 December 2023. Momentum Insure's solvency position was negatively affected by the Gauteng hailstorm in November 2023, but this impact was offset by good investment returns. The SCR cover 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. The Accounting Consolidation method is used for certain group entities (notably MML 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 1.7 times SCR at 31 December 2023, equivalent to the prior period.

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 31 December 2023.

OUTLOOK

We are pleased with the earnings Momentum Metropolitan achieved despite the continued challenging economic environment. Our dividend declaration and our commitment to the share repurchase reflects the continued resilience of the Group and the Board's confidence in the underlying financial strength of the business.

Looking ahead, we remain concerned about the lack of economic growth in South Africa and the disposable income pressure faced by clients from high borrowing costs and high inflation. While earnings have improved, we are concerned about ongoing pressure on sales volumes. We continue our focus on market share gains to drive sales volumes and looking for ways to optimise the sales mix to improve VNB outcomes. We remain focused on delivering on our Reinvent and Grow objectives at the end of F2024.

The Group is on a solid financial footing and is well-positioned to adapt to the evolving needs of our clients.

We are in the process of shaping and finalising our strategy for the period beyond F2024, which we will share with investors early in the new financial year.

27 March 2024
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)