Quarterly Financial Information

Operating update for the nine months ended 31 March 2024

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")

VOLUNTARY OPERATIONAL UPDATE FOR THE NINE MONTHS ENDED 31 MARCH 2024

Overview of key metrics

The table below sets out certain key metrics for the nine-month period ended 31 March 2024:

Key metrics	3QF2024	3QF2023	Δ%
Recurring premiums (R million)	**2 955**	3 465	(15)%
Single premiums (R million)	**46 972**	35 572	32%
New business (PVNBP, R million)[1]	**60 267**	50 087	20%
Total direct expenses (R million)	**9 346**	8 673	8%
AUM on Momentum Wealth investment platform (R billion)	**265**	232	14%
Health members under administration ('000)	**1 252**	1 225	2%
Momentum Insure claims ratio	**68.0%**	77.6%	

[1] 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. Prior period EV reporting and PVNBP metrics have not been restated for these changes.

MOMENTUM METROPOLITAN CONTINUES TO DELIVER POSITIVE PERFORMANCE

The Group continued to show resilience and achieved good operating performance for the nine months to 31 March 2024. Although the third quarter earnings[2] run rate was lower than that seen in the first two quarters, most business units continued to deliver robust earnings. This pleasing performance was supported by a continuation of favourable mortality experience and good investment income from the assets in the portfolios with shareholder backed liabilities. The Group recorded a positive investment variance for the nine-month period, largely benefiting from a reduction in the yield curve over the period.

The Group's positive investment variances reduced in the third quarter (compared to the position through the first six months of the financial year) following an increase in yields in March 2024. Rising yields resulted in negative investment variances on bonds held in annuity contractual service margin (CSM) mandates. Smaller unrealised losses were also experienced on the assets backing the protection business over the quarter. Investment variances remain positive overall for the full nine-month period.

The Group's present value of new business premiums (PVNBP) increased to R60.3 billion, a 20% increase compared to the prior period. This growth was enhanced by the 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 Investments continued to deliver strong growth in life annuities. Momentum Corporate benefited from strong structured investment flows, partly offset by a decline in recurring premium protection business. Momentum Retail saw growth in the protection and long-term savings new business. Metropolitan Life's protection and long-term savings new business volumes declined following the decision to reduce the number of tied agents to focus on writing higher quality business.

Direct expenses growth across the Group was slightly above inflation, mainly driven by investments into capabilities and improvements to both client and adviser service.

Key business highlights include:

- We continue to be rewarded for our commitment to our federated model, which empowers business units to be entrepreneurial. We are deliberate about driving discipline and accountability and increasing collaboration between business units.
- Our focus on enhancing the client and adviser experience and enabling product and propositional enhancements that differentiate us in the market, has resulted in pleasing sales volumes.
- Both the corporate and retail savings businesses are well advanced in their preparation for the implementation of the Two-Pot retirement system.
- Notable progress has been observed on Metropolitan Life's five-point turn-around plan resulting in improvements to the quality of new business and reduction in the expense base.
- Despite the adverse weather-related events over the period, the claims ratio in Momentum Insure improved to 68.0% compared to 77.6% in the prior period, reflective of the positive impact of underwriting measures implemented.

[2] While we continue our transition to the new accounting standard, IFRS 17 – Insurance contracts, this operating update serves to provide stakeholders with guidance and commentary on key factors influencing the Group's earnings as well as operational performance against the key measures such as sales volumes for the nine months ended 31 March 2024.

The share repurchase programme communicated to investors at the interim results announcement, is still in process. As at 3 June 2024, the Group had bought back 20 million shares, of which 18 million have been cancelled, for a total consideration of R426 million. From 11 April 2024 to 3 June 2024, the shares have been repurchased at an average price of R21.10 per share representing a 40% discount to the embedded value of R35.01 per share on 31 December 2023.

In Momentum Metropolitan Life, the Group's main life insurance entity, the solvency cover ratio increased from 2.11 times the Solvency Capital Requirement (SCR) (pre-foreseeable dividend) at 31 December 2023 to 2.21 times SCR (pre-foreseeable dividend) at 31 March 2024. The improvement in SCR cover mainly reflects the growth in own funds due to regulatory earnings generation supported by changes to the regulatory yield curve. However, the solvency cover ratio at 31 March 2024, is also temporarily elevated due to the payment of the interim dividend after 31 March 2024. In addition, the SCR decreased over the quarter, further strengthening the solvency cover ratio, due to a reduction in life underwriting risk exposures resulting from increases in the regulatory yield curve.

NEW BUSINESS PERFORMANCE

The tables below show the new business volumes by business unit for the nine-month period:

R million	3QF2024	3QF2023	Δ%
Momentum Retail	**6 280**	5 580	13%
Momentum Investments	**35 319**	29 265	21%
Metropolitan Life	**4 987**	5 359	(7)%
Momentum Corporate	**11 586**	7 657	51%
Momentum Metropolitan Africa	**2 095**	2 226	(6)%
Total PVNBP	**60 267**	**50 087**	**20%**

	3QF2024		3QF2023		Δ%	
R million	Recurring premiums	Single premiums	Recurring premiums	Single premiums	Recurring premiums	Single premiums
Momentum Retail	**795**	**1 923**	801	1 811	(1)%	6%
Momentum Investments	**191**	**34 468**	154	28 642	24%	20%
Metropolitan Life	**1 226**	**1 527**	1 283	1 421	(4)%	7%
Momentum Corporate	**439**	**8 258**	877	3 013	(50)%	>100%
Momentum Metropolitan Africa	**304**	**796**	350	685	(13)%	16%
Total	**2 955**	**46 972**	**3 465**	**35 572**	**(15)%**	**32%**

SEGMENTAL PERFORMANCE

Momentum Retail

Momentum Retail's earnings were aided by positive mortality experience, mainly driven by lower than expected average claim sizes. Earnings were further aided by strong investment variances following favourable yield curve movements over the nine-month period.

PVNBP improved by 13%, reflecting year-on-year growth in protection new business of 21% and 7% in long-term savings new business. Despite our sales volumes being slightly higher than the prior period, value of new business (VNB) remains negative due to high acquisition expenses and the increase in the cost of capital (following the increase in required capital for Momentum Retail).

There is pleasing adoption of the Myriad LifeReturns proposition, a sophisticated point-of-sale risk selection and incentive mechanism. Advisers and clients have now successfully transitioned into a long-term protection discount solution operating independently from Multiply.

Momentum Investments

Momentum Investments' earnings benefited from the recent strong growth in annuity new business volumes and higher mortality profits from its life annuities business.

The continued increase in new business volumes and change in new business mix towards higher margin annuities was supportive of a strong VNB.

Assets under management across the local and offshore Momentum Wealth investment platform improved by 14% to R265 billion, benefitting from favourable market performance over the period. Institutional and retail assets under management improved by 15% to R602.6 billion. This improvement includes the acquisition of Crown Agents Investment Management, which contributed R57 billion to institutional assets under management.

Metropolitan Life

Metropolitan Life's earnings were supported by an improvement in persistency experience variance on protection business and lower expenses year-on-year, partly offset by the impact of onerous business written over the period.

New business volumes declined by 7% (on a PVNBP basis) compared to the prior period. This follows the decision to reduce the number of tied agents, resulting in a decline in recurring premium sales from protection and long term savings business, somewhat offset by good growth in single premium sales from annuities. VNB improved from December 2023, however, it is likely to remain negative for the financial year following the strengthening of persistency and expense basis changes implemented on 30 June 2023. The pricing actions implemented in November 2023 are expected to lead to improvements in VNB. Productivity per agent has deteriorated marginally from 3.0 to 2.8 policies per week over the nine-month period.

Metropolitan Life has made notable progress and will focus on the delivery of its five-point plan over the next 12 to 18 months, involving:

- Enhancing product commerciality through repricing exercises and the restructuring of various benefits to improve profitability.
- Leveraging the platform migration to re-launch current products to address some of the legacy issues of the current product range.
- Efficiently managing the channel workforce by closely managing the vesting of new-to-industry advisers, productivity, access to sufficient worksites and the retention of experienced advisers and branch managers.
- Improving the quality of new business by enhancing the premium collections through Debicheck, changing commission payment to receipt of first premium for high-risk cases, and fraud prevention initiatives undertaken.
- Aligning the cost base to revenue, targeting loss making channels and initiatives.
- Implementing the migration system renewal project and various automation initiatives aimed at improving back-office efficiency.

Momentum Corporate

Momentum Corporate's earnings were aided by the refinement of the reinsurance strategy, a continuation of positive claims experience in the protection business, favourable investment variances on savings business, and higher investment income.

Momentum Corporate's PVNBP improved compared to the prior period, largely driven by strong growth in single premium structured investment inflows. Recurring premium new business declined due to the non-repeat of a large recurring premium annuity deal onboarded in the prior period. The protection business continues to navigate through a diverging market outlook on future mortality and morbidity experience. VNB is expected to remain under pressure, largely as a result of the business mix being weighted towards lower margin savings business and large deals concluded at low margin.

Momentum Metropolitan Health

Momentum Metropolitan Health's earnings were negatively impacted by a change in new business mix away from our traditional medical scheme business. Membership growth of 2% was achieved year-on-year, despite an otherwise flat market. This is largely due to the sustained growth in the public sector (5%) and Health4Me membership (20%). Membership in the Momentum Medical Scheme and corporate market segment remains under pressure, indicative of tough economic conditions impacting affordability in the retail client base and employment numbers in the corporate client base.

The National Health Insurance (NHI) bill was signed into law on 15 May 2024. While we agree that the intent to enable access to more health for more South Africans is positive, we believe the implementation of the NHI bill in its current format is not sustainable.

Healthcare is a fundamental right for all. For us to create and implement a national health system to enable this, we must be mindful of the current constraints and ensure that we move forward in an informed and sustainable manner. We expect the already documented challenges made by numerous stakeholders to become more vocal, particularly around the constitutionality of the bill. Another key consideration is that the South African economy does not have the required funds to support the implementation thereof.

Our belief remains that the current private and public system should collaborate to better utilise the experience and infrastructure of the private industry to augment the public offering and ensure we don't lose critical experienced resources and capabilities from our health economy.

Guardrisk

Guardrisk's growth in earnings was mainly driven by a 24% improvement in the underwriting profit in Guardrisk General Insurance and growth in Guardrisk Life's management fee income. Earnings were further aided by higher investment income following the refinement of the investment strategy for the shareholder investment portfolio coupled with a higher interest rate environment. Expenses increased above inflation, largely on the back of higher personnel costs incurred to build capacity for reporting requirements and future growth.

Guardrisk continues to benefit from its client and product diversification, offsetting the impact of the tough trading conditions.

Momentum Insure

Momentum Insure's earnings improvement has been encouraging, largely driven by a 6% increase in gross written premiums to R2.4 billion, a 9.6% improvement in the year-to-date claims ratio, and an increase in investment income.

The claims ratio improved from 77.6% in the prior period to 68.0%, indicative of the satisfactory progress made with the corrective actions taken to improve underwriting performance. These actions relate to ongoing new business price optimisation, targeted higher renewal increases on selected portfolios to reflect the underlying risk more accurately, together with focused underwriting action to correct underperforming portfolios.

Persistency experience deteriorated marginally as a result of these corrective actions but remained within appetite. Management expenses were well controlled with the overall expense ratio improving from the prior period.

Momentum Metropolitan Africa

Momentum Metropolitan Africa's earnings benefited from favourable investment income following good returns on bond assets backing liabilities, however, the strong investment performance reported at December 2023 partly reversed during this quarter mainly due to unfavourable yield curve shifts in Namibia resulting in a lower rate of return. Earnings further benefited from an improvement in the claims ratio in the health business. This result was partially offset by a once-off system impairment expense. We expect an increase in expenses from systems implementations and distribution enablement.

PVNBP was 6% lower than the comparative period, following lower retail sales in Lesotho and due to lower corporate sales in Botswana. This was partly offset by an improvement in retail sales from Namibia. VNB has remained negative due to current low sales volumes.

India[3]

India's earnings, although a loss, improved marginally compared to the prior period. This was mainly due to a 35% growth in gross written premium to R5.4 billion, with strong growth in both the retail and group business, offset by an elevated claims ratio of 76%, compared to 65% in the prior period. The claims ratio largely impacted by a recent change in business mix toward group business following new guidelines by the Indian insurance regulator to limit the total expense ratio (administrative and commission) for standalone health insurers to a maximum of 35%. In response, ABHI has focused on balancing its business mix away from the more expensive retail distribution channel.

The management initiatives initiated in 2023 have recently started to yield encouraging signs of an improvement in the claims ratio. Looking forward, given the compelling opportunity and the differentiated business model, we maintain an optimistic outlook on the growth potential of the health insurance industry in India. We expect Aditya Birla Health Insurance to break even in the next two years.

Support services delivered from India which are provided to internal and external clients, continue to show good growth.

OUTLOOK

We are pleased with the performance the Group has achieved over the period. Our robust capital position and product diversification remain key strengths. While a key focus remains on addressing new business margins, we believe the Group is well-positioned to adapt to the evolving needs of our clients.

Our operating environment is expected to remain under pressure given the weak economic growth, potential political uncertainty following the election and the impact of prolonged inflationary pressures and elevated interest rates on our clients' disposable income. We, however, remain focused on driving new business volumes to gain market share, improving the sales mix and margin, and reducing the cost base to improve VNB outcomes.

We are committed to deliver on our Reinvent and Grow objectives at the end of F2024. We are in the process of finalising our strategy for the period beyond F2024, which we look forward to sharing with investors in July 2024.

4 June 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.

[3] Results for ABHI are reported with a three-month lag, the results for 3QF2024 reflect MMH's stake of 44.1%. Results include support costs incurred by Momentum Metropolitan outside of the joint venture.

CONFERENCE CALL

The executive management of Momentum Metropolitan will be hosting a conference call for shareholders, investors and analysts on 4 June 2024.

We kindly request callers to pre-register using the following link https://www.diamondpass.net/9112754

A passcode and pin will be generated following registration. We advise callers to dial in 5 minutes before the conference call starts at 11:00.

The recorded playback will be available for three days after the conference call.

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