

## 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)

# Audited financial results for the 12 months ended 30 June 2022

## Short form announcement

	Basic			Diluted		
	F2022	F2021	Δ%	F2022	F2021	Δ%
Earnings (R million)	3 711	451	>100%	3 748	451	>100%
Headline earnings (R million)	4 233	445	>100%	4 270	445	>100%
Normalised headline earnings (R million) <sup>1</sup>				4 383	1 007	>100%
Operating profit (R million) <sup>2</sup>				3 363	73	>100%
Investment return (R million)				1 020	934	9%
Earnings per share (cents)	260.6	31.3	>100%	256.9	31.3	>100%
Headline earnings per share (cents)	297.3	30.9	>100%	292.7	30.9	>100%
Normalised headline earnings per share (cents) <sup>1</sup>				287.2	67.1	>100%
Total dividend per share (cents)				100	40	>100%
Present value of new business premiums				72 673	65 898	10%
Value of new business				626	725	(14)%
Value of new business margin				0.9%	1.1%	
Diluted embedded value per share (R)				29.77	27.08	9.9%
Return on embedded value per share				11.7%	6.3%	
Return on equity <sup>3</sup>				22.7%	4.9%	

<sup>1</sup> 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, 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.

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

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

## Net asset value

R million	F2022	F2021	Δ%
Total assets	574 017	554 725	3%
Total liabilities	(549 031)	(532 802)	3%
<b>Total equity</b>	<b>24 986</b>	<b>21 923</b>	<b>14%</b>

## Momentum Metropolitan earnings soar *Declares strong dividend and solidifies competitive position*

### Introduction

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

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

### Group consolidated earnings

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

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

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

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

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

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

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

More details on the Group's earnings performance, including a detailed analysis of the impact of Covid-19 on the Group and segmental information on the performance of the Group's businesses, can be found in the Group's full results announcement and summarised audited annual financial statements for the 12 months ended 30 June 2022, available on the Group's website at <https://www.momentummetropolitan.co.za/en/investor-relations/financial-results>.

## Group new business performance

The excellent new business performance in Momentum Corporate was a highlight for the Group.

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

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

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

## Return on equity and embedded value

Return on equity for F2022 was 22.7%, up from 4.9% in the prior year. This increase follows the Group's earnings improvement together with an ongoing focus on capital efficiency.

Group embedded value per share was R29.77 on 30 June 2022. The return on embedded value per share was 11.7% for F2022 up from 6.3% in the prior year. This reflects a return more closely aligned with our long-term expectations, compared to the results observed over the last two years.

## Solvency

The Group remains well capitalised. The regulatory solvency positions of all the Group's entities remain within the target ranges. For Momentum Metropolitan Life, the Group's main life insurance entity, the Solvency Capital Requirement (SCR) cover improved from 1.73 times SCR at 30 June 2021 to 2.03 times SCR at 30 June 2022. The group SCR cover for Momentum Metropolitan Holdings improved from 1.5 times SCR at 30 June 2021 to 1.6 times SCR at 30 June 2022.

## Share repurchase programme

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

Following approval from the Prudential Authority, Momentum Metropolitan commenced with the programme on 10 August 2022. The Group remains committed to following a disciplined trading approach under the programme and will only repurchase shares to the extent that market conditions are favourable. Repurchased shares will

be cancelled. Between 10 August 2022 and 12 September 2022, the Group has bought back 23 million shares, for a total consideration of R382 million. When these shares are cancelled, the gain on the 30 June 2022 embedded value will be approximately 20 cents per share.

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

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

## Dividends

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

The dividend is payable out of income reserves to all holders of ordinary shares recorded in the register of the company on Record Date. The dividend will be subject to local dividend withholding tax at a rate of 20% unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate. This will result in a net final dividend of 52 cents per ordinary share for those shareholders who are not exempt from paying dividend tax. The number of ordinary shares at the declaration date was 1 497 475 356.

The income tax number of Momentum Metropolitan is 975 2050 147

Publication of declaration data	Wednesday, 14 September 2022
Last date to trade cum-dividend	Tuesday, 4 October 2022
Trading ex-dividend	Wednesday, 5 October 2022
Record date	Friday, 7 October 2022
Payment date	Monday, 10 October 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 October 2022 and Friday, 7 October 2022, both days inclusive.

## Outlook

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

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

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

## Short form statement

This announcement is the responsibility of the directors. The information in this short form announcement, including the financial information on which the outlook is based, has not been reviewed and reported on by Momentum Metropolitan's external auditors. Financial figures in this announcement have been correctly extracted from the summarised audited annual financial statements. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full SENS announcement accessible from Wednesday, 14 September 2022, via the JSE link and also available on the Company's website at <https://www.momentummetropolitan.co.za/en/investor-relations/financial-results>.

The annual financial statements have been audited by the Group's auditors, Ernst & Young Inc, who expressed an unqualified opinion thereon. The annual financial statements, including the audit opinion and key audit matters can be found on the Group's website at <https://www.momentummetropolitan.co.za/en/investor-relations/financial-results>. A printed copy of the full SENS announcement may also be requested from the Group Company Secretary's Office, Gcobisa Tyusha, Tel: +27 12 673 1931 or [gcobisa.tyusha@mmltd.co.za](mailto:gcobisa.tyusha@mmltd.co.za) and is available for inspection by appointment, at the Company's registered office, weekdays Monday to Friday during office hours from 09:00 - 16:00.

The JSE link is as follows: <https://senspdf.jse.co.za/documents/2022/jse/isse/MTME/FY22Result.pdf>

SENS issue: 14 September 2022

Equity sponsor

Merrill Lynch SA (Pty) Ltd t/a BofA Securities

Debt sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)