

# Quarterly Financial Information

Operating update for the nine months ended  
31 March 2022



## MOMENTUM METROPOLITAN HOLDINGS LIMITED

Incorporated in the Republic of South Africa

Registration number: 2000/031756/06

JSE share code: MTM

A2X share code: MTM

NSX share code: MMT

ISIN code: ZAE000269890

(Momentum Metropolitan or the Group)

## MOMENTUM METROPOLITAN LIFE LIMITED

Incorporated in the Republic of South Africa

Registration number: 1904/002186/06

LEI: 378900E0A78B7549C212

Company code: MMIG

(Momentum Metropolitan Life)

## Operational update for the nine months ended 31 March 2022

### Summary of key metrics

Key metrics	3QF2022	3QF2021	Δ%
Headline earnings per share (cents)	158.3	99.7	59%
Normalised headline earnings per share (cents) <sup>1</sup>	172.5	118.5	46%
Earnings per share (cents)	114.9	108.0	6%
Normalised headline earnings (R million)	2 588	1 774	46%
Operating profit (R million) <sup>2</sup>	1 736	1 382	26%
Investment return (R million)	852	392	>100%
New business volumes (PVNBP, R million)	54 513	46 981	16%
Value of new business (VNB, R million)	423	506	(16)%
New business margin	0.8%	1.1%	
Diluted embedded value per share (Rand)	28.77	27.28	5.5%
Return on embedded value (annualised %)	10.7%	9.0%	
Return on equity <sup>3</sup> (%)	18.2%	11.7%	

<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 net asset value, adjusted for the items outlined in footnote 1, and the adjusting items to determine headline earnings. Comparatives are reported for the first time.

## **Strong earnings recovery as Covid-19 impact moderates**

### ***New business growth (PVNBP) of 16%***

#### **Overview of financial results**

Momentum Metropolitan recorded a strong recovery in normalised headline earnings despite the challenging economic environment. The Group delivered R2 588 million of normalised headline earnings for the nine months ended 31 March 2022, 46% higher than the comparative period. This growth in earnings was supported by less severe Covid-19 impact on earnings, particularly for Momentum Corporate which experienced a significant turnaround. New business volumes, as measured by present value of new business premiums (PVNBP), increased 16% from the prior period to R54.5 billion. New business growth was driven by strong performance from Momentum Investments, Metropolitan Life and Momentum Corporate.

Operating profit grew by 26% to R1 736 million. This operating result was supported by good earnings growth in Momentum Life, Momentum Corporate, Momentum Metropolitan Health and Guardrisk. Net mortality profits for the quarter of R100 million resulted in nine-month losses of R278 million (net of reinsurance and tax) - an improvement from the net mortality losses of R378 million reported for the first six months of the financial year. The operating profit was negatively impacted by large negative investment variances in Momentum Life and Metropolitan Life which were the result of the change in the shape and level of the yield curve at long durations as well as a change in the market implied inflation outlook.

The Group's investment return more than doubled compared to the prior period to R852 million, mainly 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 by 46% from 118.5 cents to 172.5 cents. Headline earnings per share increased by 59% from 99.7 cents to 158.3 cents and earnings per share improved by 6% from 108.0 cents to 114.9 cents. The lower improvement in earnings is largely attributable to the partial write-off, during the first half of F2022, of the goodwill recognised on the acquisition of Alexander Forbes Insurance.

The Group's PVNBP for the nine months was R54.5 billion, representing a 16% improvement from the prior period. Momentum Investments delivered strong growth on the local Momentum Wealth investment platform business and on life annuities. Metropolitan Life saw good growth in protection and annuity volumes, while Momentum Corporate achieved strong growth in recurring premium volumes on group risk products. Momentum Metropolitan Africa also continued to show good new business volume growth.

The Group's VNB declined 16% to R423 million, mainly due to a negative VNB contribution in the third quarter from Momentum Life. Momentum Life's new business volumes on protection products were under pressure which combined with fixed new business expenses not reducing commensurately and an increase to the allowance for cost of capital related to new business, resulted in the negative VNB. A shift in new business towards lower margin savings products across the various life businesses, as well as economic assumption changes in Momentum Life and Metropolitan Life related to lower yields at long durations, put further pressure on the VNB. The new business margin of 0.8% is lower than the 1.1% of the prior period. It is also lower than our long-term target.

The regulatory solvency positions of all the Group entities remain within their specific target solvency ranges. For Momentum Metropolitan Life, the Group's main life insurance entity, the Solvency Capital Requirement (SCR) cover improved from 1.77 times SCR at 31 December 2021 to 1.83 times SCR at 31 March 2022. This improvement is mainly attributable to earnings over the period, a reduction in the prescribed equity stresses, the strengthening of the Rand, and a decline in interest rate risk.

Return on equity (ROE) for the third quarter was 18.2%, up from 11.7% in the prior period. This increase follows the Group's earnings improvement. Group embedded value per share was R28.77 on 31 March 2022. The return on embedded value per share was an annualised 10.8%, assisted by an improvement in operating experience variance and strong investment markets.

## Consolidated Group financial performance

### Group financial performance

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

R million	3QF2022			3QF2021			Δ%		
	Operating profit	Investment return	Normalised headline earnings	Operating profit	Investment return	Normalised headline earnings	Operating profit	Investment return	Normalised headline earnings
Momentum Life	241	97	338	136	72	208	77%	35%	63%
Momentum Investments	683	29	712	831	(18)	813	(18)%	>100%	(12)%
Metropolitan Life	347	48	395	472	37	509	(26)%	30%	(22)%
Momentum Corporate	527	90	617	(102)	30	(72)	>100%	>100%	>100%
Momentum Metropolitan Health	162	(1)	161	152	(2)	150	7%	(50)%	7%
Non-life Insurance	313	58	371	330	31	361	(5)%	87%	3%
Momentum Metropolitan Africa	(6)	71	65	157	176	333	<(100)%	(60)%	(80)%
<b>Normalised headline earnings from operating business units</b>	<b>2 267</b>	<b>392</b>	<b>2 659</b>	<b>1 976</b>	<b>326</b>	<b>2 302</b>	<b>15%</b>	<b>20%</b>	<b>16%</b>
New Initiatives	(405)	2	(403)	(376)	1	(375)	(8)%	100%	(7)%
Shareholders segment	(126)	458	332	(218)	65	(153)	42%	>100%	>100%
<b>Normalised headline earnings</b>	<b>1 736</b>	<b>852</b>	<b>2 588</b>	<b>1 382</b>	<b>392</b>	<b>1 774</b>	<b>26%</b>	<b>&gt;100%</b>	<b>46%</b>

## **Operating profit**

Operating profit increased strongly, by 26% year-on-year, to R1 736 million. This is against the backdrop of net mortality losses of R278 million (net of reinsurance, releases from existing Covid-19 provisions, and tax) in the life insurance businesses. Momentum Life and Momentum Metropolitan Africa were most severely impacted by excess Covid-19 related claims during the first half of the year due to the third Covid-19 wave. Net mortality losses were R1.1 billion in the prior period.

Operating profit in Momentum Life and Metropolitan Life was further impacted by negative investment variances of R207 million and R24 million respectively, resulting from changes in the shape (flatter curve) and level (decline at long durations) of the yield curve, and an increase in market implied inflation (wider gap between nominal and real curves). Operating profit in Momentum Investments was impacted by the ongoing implementation expenses incurred to replace the current legacy investment platform in Momentum Wealth as well as lower profits from annuities and structured products due to less favourable market movements. Momentum Corporate benefited materially from much improved underwriting results. Operating profit in Non-life Insurance was aided by good underlying operational growth in Guardrisk, offset by the negative impact from weather-related claims in Momentum Insure.

## **Investment return**

Investment return improved from R392 million to R852 million, supported by the recovery in investment markets. In the Shareholders segment, investment return also increased significantly due to fair value gains from the revaluation of the Group's investment in venture capital funds and foreign exchange gains on the Group's foreign assets.

## **Impact of the Covid-19 pandemic on the Group**

The direct impact on the Group from the Covid-19 pandemic was muted in the third quarter of F2022.

### **Mortality experience**

The effects of the fourth wave, driven by the Omicron variant, were still evident at the end of 31 March 2022, however, claims experience during the second and third quarters of F2022 was significantly less severe than during the first quarter. Through the first nine months of F2022, our South African life insurance businesses had paid R8.9 billion in gross mortality claims, of which R4.6 billion was paid in the first quarter, R2.5 billion in the second quarter and R1.8 billion in the third quarter. While the third quarter shows a significant improvement on the preceding quarters, mortality experience was still slightly higher than the pre-pandemic mortality experience.

The provisions for Covid-19 related experience previously created were sufficient to absorb the impact of excess claims in Metropolitan Life and Momentum Corporate. However, because of the poor mortality experience in Momentum Life and Momentum Metropolitan Africa between July and October 2021, a mortality loss of R278 million was experienced for the nine months ending 31 March 2022. This includes an improvement of R100 million during the third quarter. Releases of the mortality component of Covid-19 provision in the third quarter amounted to R118 million, significantly less than the R1.1 billion that was released in the first half of the year.

The table below shows the contribution from each of the Group's businesses to the net mortality losses for the nine-month period:

R million	Momentum Life	Momentum Investments	Metropolitan Life	Momentum Corporate	Momentum Metropolitan Africa	Total
Mortality experience variance	(966)	(32)	(154)	(480)	(169)	(1 801)
Annuity experience variance	-	176	68	40	7	291
Change in annuity technical reserves	-	(20)	-	-	-	(20)
Covid-19 provision release	677	-	87	448	39	1 252
<b>Net mortality losses</b>	<b>(289)</b>	<b>124</b>	<b>1</b>	<b>8</b>	<b>(123)</b>	<b>(278)</b>

### Impact of provision release on normalised headline earnings

The change in existing Covid-19 provisions over the nine months ended 31 March 2022 is shown in the table below:

R million	Mortality	Morbidity	Non-life insurance claims	Terminations	Total
Provision at 30 June 2021	1 854	71	54	50	2 029
<b>Release of provisions</b>	<b>(1 231)</b>	<b>(53)</b>	<b>(33)</b>	<b>(19)</b>	<b>(1 336)</b>
Momentum Life	(677)	(26)	-	(1)	(704)
Momentum Investments <sup>4</sup>	20	-	-	-	20
Metropolitan Life	(87)	-	-	(18)	(105)
Momentum Corporate	(448)	(27)	-	-	(475)
Momentum Metropolitan Africa	(39)	-	-	-	(39)
Non-life Insurance	-	-	(33)	-	(33)
<b>Provision at 31 March 2022</b>	<b>623</b>	<b>18</b>	<b>21</b>	<b>31</b>	<b>693</b>

The total provisions available at the start of F2022 amounted to R2 029 million (net of tax). During the third quarter R146 million of provisions was released, bringing the total provisions released for the nine months to R1 336 million. This resulted in the total provision of R693 million remaining at 31 March 2022.

Following a sufficiency assessment, no new provisions were created at 31 March 2022. The sufficiency of the existing provisions will be reassessed in June 2022.

<sup>4</sup> The release of provisions includes an increase in annuity technical provisions in Momentum Investments.

## Consolidated Group new business performance

Key metrics	3QF2022	3QF2021	Δ%
Recurring premiums (R million)	3 342	2 754	21%
Single premiums (R million)	39 727	33 628	18%
PVNBP (R million)	54 513	46 981	16%
VNB (R million)	423	506	(16)%
New business margin	0.8%	1.1%	

The Group increased PVNBP to R54.5 billion, 16% higher than the prior period. At Momentum Life, lower protection new business volumes were largely offset by good growth in long-term savings business. Momentum Investments delivered solid growth in guaranteed annuities and Momentum Wealth's local investment platform business. Metropolitan Life saw good growth in protection new business and in single premium flows into annuities and structured products. Momentum Corporate delivered pleasing new business volume growth in recurring premium group risk products together with good growth in annuities. 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.

The Group's VNB decline of 16% to R423 million was mainly caused by a negative R23 million VNB contribution from Momentum Life, which arose in the third quarter due to lower protection new business volumes, fixed new business expenses not reducing commensurately, and an increase in the cost of capital due to increased allocation of required capital towards new business. The VNB deteriorated further due to the shift in new business mix towards less profitable savings solutions across all life businesses, as well as economic assumption changes related to the lower yield curve at long durations in Momentum Life and Metropolitan Life. This resulted in the decline in new business margin to 0.8% compared to 1.1% in the prior period.

## Segmental performance

### Momentum Life

R million	3QF2022	3QF2021	Δ%
Operating profit	241	136	77%
Investment return	97	72	35%
<b>Normalised headline earnings</b>	<b>338</b>	<b>208</b>	<b>63%</b>
Recurring premium new business	751	778	(3)%
Single premium new business	1 663	1 550	7%
PVNBP	5 328	5 527	(4)%
VNB	(23)	55	<(100)%
New business margin	(0.4)%	1.0%	

#### Normalised headline earnings

Momentum Life's normalised headline earnings improved from R208 million to R338 million. This includes a 77% increase in operating profit to R241 million. Net mortality losses, which were largely driven by the severe impact of the third wave on results for the first half of the financial year, amounted to R289 million. This represents an improvement from the mortality loss of R335 million reported at 1HF2022. The mortality claims experience from the fourth wave was significantly less severe than during the third wave. Although it remained higher than pre-pandemic experience, mortality experience improved significantly in the third quarter. The mortality loss was offset by a positive expense variance and positive persistency experience.

Yield curve shifts at the longer durations during the first half, to which the protection business is particularly sensitive, adversely impacted earnings with investment variances worsening by R24 million from the prior period to negative R207 million. This was partly offset by an improvement in the investment variances on the traditional and long-term savings business, in line with the equity market recovery.

#### New business

PVNBP in Momentum Life declined by 4% compared to the prior period to R5.3 billion. This was mainly attributable to a 10% decline in new business volumes on protection business, somewhat offset by the 4% improvement in new business volumes on long-term savings business. We ascribe the decline in protection new business volumes to the tough economic environment, and all the different distribution channels were under pressure.

VNB declined from a profit of R55 million in the comparative period to a loss of R23 million. This decline was largely driven by the lower new business volumes on protection business. Given that a relatively large component of the new business cost base is fixed in nature, the decline in total new business expenses was not commensurate with the decline in new business volumes. During the period we also increased the allocation of required capital attributed to new business activities – there was a corresponding reduction in capital attributed to in-force business. VNB was further negatively impacted by economic assumption changes related to lower yields at long durations and the shift in the new business mix towards lower margin long-term savings business. This translated to a new business margin of -0.4%.

## Momentum Investments

R million	3QF2022	3QF2021	Δ%
Operating profit	683	831	(18)%
Investment return	29	(18)	>100%
<b>Normalised headline earnings</b>	<b>712</b>	<b>813</b>	<b>(12)%</b>
Recurring premium new business	163	143	14%
Single premium new business	32 628	28 759	13%
PVNBP	33 290	29 307	14%
VNB	286	250	14%
New business margin	0.9%	0.9%	

### Normalised headline earnings

Normalised headline earnings from Momentum Investments declined by 12% to R712 million compared to the prior period. This includes an 18% decline in operating profit to R683 million, partly offset by strong growth in investment income resulting mainly from currency gains. The decline in operating profit was mainly due to R95 million expenses incurred in replacing Momentum Wealth's legacy investment platform. Operating profit was further impacted by lower earnings from annuities and structured products, mainly due to lower credit spread variances and the less favourable impact on earnings from yield curve movements resulting in a R274 million reduction in the investment variance. We experienced strong earnings growth in the investment management businesses in South Africa and the United Kingdom (UK) which saw an increase in asset-based fee income due to the combination of favourable market movements, positive net client cashflows, and the inclusion of the results of Seneca Investment Managers for a full nine months (compared to four months in the prior period).

### New business

PVNBP for Momentum Investments improved 14% to R33.3 billion, bolstered by strong growth on guaranteed annuities and on the local Momentum Wealth investment platform.

The VNB increased by 14% to R286 million, benefiting from the increase in new business volumes and an improved new business mix towards higher margin annuities. The growth was partly offset by lower assumed credit spreads in the third quarter and a mix change from offshore products to local products in the Wealth business. The new business margin remained stable at 0.9%.

### Assets under management and administration

Assets under management on the Momentum Wealth investment platform increased by 12% to R214 billion, mainly attributable to positive market movements, good growth in new business inflows, and lower outflows. Institutional and retail assets under management increased by 15% to R510 billion, mainly due to the recovery of investment markets and good inflows on the retail assets. The acquisition of Seneca Investment Managers in the UK also contributed R14 billion to the growth in institutional assets under management.

## Metropolitan Life

R million	3QF2022	3QF2021	Δ%
Operating profit	347	472	(26)%
Investment return	48	37	30%
<b>Normalised headline earnings</b>	<b>395</b>	<b>509</b>	<b>(22)%</b>
Recurring premium new business	1 263	1 018	24%
Single premium new business	1 319	1 026	29%
PVNBP	5 264	4 133	27%
VNB	156	190	(18)%
New business margin	3.0%	4.6%	

### Normalised headline earnings

Metropolitan Life's normalised headline earnings declined by 22% to R395 million. Operating profit declined by 26% to R347 million, mainly impacted by the deterioration in investment variances and by negative persistency variances.

Investment variances deteriorated through a combination of an increase in the market implied inflation in the current period, and the non-repeat of positive investment variance that followed the market recovery in the prior period.

The negative persistency variance of R132 million is primarily due to the correction of operational and system issues related to the migration of the administration system and to poor collections during the festive season.. The system issues were noted in the first half of the financial year, but the rectification continued to negatively impact the third quarter results.

Mortality experience was better than expected in the Covid-19 reserve modelling, resulting a slightly positive experience variance being recorded after the release of R87 million from Covid-19 provisions.

### New business

Metropolitan Life's PVNBP increased by 27% to R5.3 billion compared to the prior period. This includes continued improvement in protection new business and in annuities and structured single premiums, which delivered year-on-year growth of 23% and 47% respectively, as well as a 23% recovery in long-term savings new business. Adviser productivity continued to exceed pre-pandemic levels.

VNB declined 18% to R156 million, largely driven by a change in product mix towards lower margin savings products, and during the third quarter, an increase in policies that lapse before the first premium is paid, part of which relates to fraudulent activities by (now dismissed) advisors, which results in distribution expenses that cannot be recovered. VNB was further impacted by economic assumption changes related to lower yields at long durations. The new business margin declined from 4.6% to 3.0%.

## Momentum Corporate

R million	3QF2022	3QF2021	Δ%
Operating profit/(loss)	527	(102)	>100%
Investment return	90	30	>100%
<b>Total normalised headline earnings</b>	<b>617</b>	<b>(72)</b>	<b>&gt;100%</b>
Recurring premium new business	832	511	63%
Single premium new business	2 772	1 586	75%
PVNB	7 762	5 898	32%
VNB	2	9	(78)%
New business margin	0.0%	0.2%	

### Normalised headline earnings

Momentum Corporate's normalised headline earnings improved from a loss of R72 million to a profit of R617 million in the current period. The strong recovery from an operating loss of R102 million to an operating profit of R527 million was largely aided by the significant improvement in mortality experience and a continued improvement in disability experience. Net mortality losses improved to a profit of R8 million as the Covid-19 claims experience moderated, compared to a loss of R694 million in the prior period. Income disability results benefited from the re-pricing programme that has taken place over the last three years, mortality experience variance on income disability claims in payment, and better return-to-work experience. Expenses continued to be well-managed.

### New business

Momentum Corporate's PVNB of R7.8 billion increased by 32% compared to the prior period. This result was supported by strong growth of 63% in recurring premium volumes on group risk products, including the onboarding of three large clients. Single premium volumes increased by 75%, driven by improved FundsAtWork investments and annuity sales.

The VNB of R2 million declined from R9 million, largely attributable to the new business mix being more weighted toward large risk-only clients with accompanying lower margin products as well as smaller FundsAtWork schemes which carry lower new business margins.

## Momentum Metropolitan Health

R million	3QF2022	3QF2021	Δ%
Operating profit	162	152	7%
Investment return	(1)	(2)	50%
<b>Normalised headline earnings</b>	<b>161</b>	<b>150</b>	<b>7%</b>

### Normalised headline earnings

Normalised headline earnings for Momentum Metropolitan Health increased by 7% against the prior period, to R161 million. This result was mainly driven by fee income generated from continued growth in the low-cost product (Health4Me) and public sector membership, lower Health4Me claims experience, and prudent expense management.

## Membership

Pleasing membership growth of 3% year-on-year was mainly attributable to the continued growth of the public sector, Health4Me and Momentum Medical Scheme membership. Given the link to the general economy, organic membership growth in the corporate segment remained subdued.

## Non-life Insurance

R million	3QF2022	3QF2021	Δ%
Guardrisk	385	269	43%
Momentum Insure	(14)	92	<(100)%
<b>Normalised headline earnings</b>	<b>371</b>	<b>361</b>	<b>3%</b>
Operating profit	313	330	(5)%
Investment return	58	31	87%

### Normalised headline earnings

The normalised headline earnings for Non-life Insurance improved by 3% to R371 million. This modest increase includes strong investment returns on shareholder assets that benefited from the recognition of the net asset value gain on a cell taken over at a discount to net asset value within Guardrisk, offset by the impact of the decline in Momentum Insure's underwriting experience.

During April 2022, after the end of the reporting period, days of heavy rainfall in KwaZulu-Natal resulted in severe flooding and landslides. The Non-Life Insurance business is assessing the impact of floods and at this stage exposure estimates are developing and may change as more clarity is obtained. As at 27 May 2022, gross claims to the value of R460 million had been received across Guardrisk and Momentum Insure. We estimate that a net loss (after tax and reinsurance) of less than R50 million will be reported in the fourth quarter in respect of the KwaZulu-Natal floods. In the last week of May 2022, KwaZulu-Natal experienced a second period of heavy rainfall and floods, but it is too early to estimate the expected claims experience.

### Guardrisk

Guardrisk's normalised headline earnings increased 43% to R385 million. Operating profit growth was bolstered by growth in management fees in the mining rehabilitation and life divisions and a pleasing 42% growth in underwriting profits. Investment return benefited from the recognition of the value of a cell that was taken over at a discount to its net asset value, resulting in a net increase in normalised headline earnings of R40 million, after concluding all phases of the transaction.

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

R million	3QF2022	3QF2021	Δ%
Gross written premium	2 229	1 867	19%
Net earned premium	1 254	1 129	11%
Claims incurred	(615)	(586)	5%
Acquisition cost	(349)	(339)	3%
<b>GGI underwriting profit<sup>5</sup></b>	<b>290</b>	<b>204</b>	<b>42%</b>

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

## Momentum Insure

Normalised headline earnings in Momentum Insure declined from R92 million to a loss of R14 million, mainly impacted by the prolonged wet weather pattern over the summer months.

New business volumes for the nine months increased by 29% to R451 million. The discrete third quarter showed a very pleasing increase of 30% compared to the third quarter in the prior period. This was the highest quarterly sales since the acquisition of Alexander Forbes Insurance and is a welcome change from the more subdued sales experienced in the months immediately after the implementation of a single line of business system, in July 2021. Persistency experience remained good and well within appetite.

Key ratios	3QF2022	3QF2021	Δ%
Gross written premium	2 150	2 094	3%
Net earned premium (R million)	2 053	1 100	87%
Claims ratio	69.0%	65.9%	

The current period claims ratio of 69% was weakened by exceptionally wet weather in the summer rainfall areas which gave rise to claims for damage directly related to weather events as well as increased motor accident claims. The rainfall was scattered and persistent, resulting in continuous losses and no meaningful aggregation that could be claimable from the catastrophe reinsurance protection during the nine-month period.

## Momentum Metropolitan Africa

R million	3QF2022	3QF2021	Δ%
Namibia	59	197	(70)%
Botswana	6	69	(91)%
Lesotho	111	170	(35)%
Ghana	21	55	(62)%
Other countries	(25)	(14)	(79)%
Centre costs	(107)	(144)	26%
<b>Normalised headline earnings</b>	<b>65</b>	<b>333</b>	<b>(80)%</b>
Operating (loss)/profit	(6)	157	<(100)%
Investment return	71	176	(60)%
Recurring premium new business	333	304	10%
Single premium new business	1 345	707	90%
PVNB	2 869	2 116	36%
VNB	2	2	
New business margin	0.1%	0.1%	

## Normalised headline earnings

Normalised headline earnings declined by 80% against the prior period to R65 million, mainly driven by net mortality losses of R123 million (net of reinsurance and tax), after releasing Covid-19 provisions of R39 million. This followed a considerable increase in mortality claims in both Namibia and Botswana during the first quarter of F2022. Momentum Metropolitan Africa had not experienced significant increases in Covid-19 claims during the prior period. Operating profit was further impacted by negative expense assumption changes in Ghana and Lesotho, negative economic assumption changes in Namibia and Botswana, and the non-repeat of a prior period positive one-off operating assumption change in Lesotho. The decline in investment return was partially as a result of a lower asset base, following remittances of R1 billion to the Group.

## New business

PVNB for Momentum Metropolitan Africa improved by 36% to R2.9 billion year-on-year. This is attributable to strong corporate new business growth in Namibia, Lesotho and Botswana and good growth in the retail savings and annuity volumes in Namibia and Botswana.

The VNB remained stable at R2 million, attributable to good new business volumes and a change in mix towards higher margin protection business in Botswana. This was offset by a shift in new business mix towards lower margin savings products in Lesotho and Namibia. The negative VNB for Namibia continues to offset the positive contributions from Lesotho and Botswana. Overall, the new business margin remained at 0.1%.

## New Initiatives

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

R million	3QF2022	3QF2021	Δ%
Aditya Birla Health Insurance <sup>6</sup>	(301)	(202)	(49)%
aYo	(1)	(98)	(99)%
Other <sup>7</sup>	(101)	(75)	(35)%
<b>Normalised headline earnings</b>	<b>(403)</b>	<b>(375)</b>	<b>(7)%</b>

## Aditya Birla Health Insurance

ABHI has shown continued growth and is performing broadly in accordance with the business case when the impact of Covid-19 specific experience is excluded. The operational performance was negatively impacted by the sharp increase in the number and average size of Covid-19 related claims observed during the second wave of infections in India. Gross written premiums (GWP) increased by 30% to R2.4 billion, with strong growth in both retail and group business.

ABHI continues to build scale while providing a highly differentiated product offering. ABHI further sustained its focus on offering extensive end-to-end digital service, supporting channel growth as well as scaling and diversifying its distribution.

## aYo

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

<sup>6</sup> Results for the India investment are reported with a three-month lag. Results include support costs incurred by Momentum Metropolitan outside of the joint venture.

<sup>7</sup> "Other" includes Exponential Ventures, Multiply Money and Momentum Consult.

## Other

The largest other new initiative is Multiply Money, which recorded a slightly larger loss for the nine months compared to the prior year. This initiative bundles a low-cost transactional facility with a savings account that offers competitive interest rates, without restrictive requirements such as minimum balances and lock-in periods. The rewards from Momentum Multiply and voluntary deposits made by clients can be deposited into the savings account.

## Shareholders segment

R million	3QF2022	3QF2021	Δ%
Operating loss	(126)	(218)	42%
Investment return	458	65	>100%
Investment income	(11)	51	<(100)%
Fair value gains/(losses)	469	14	>100%
<b>Normalised headline earnings</b>	<b>332</b>	<b>(153)</b>	<b>&gt;100%</b>

The Shareholders segment's normalised headline earnings of R332 million represent a significant improvement on the prior period.

Operating losses narrowed 42% to a loss of R126 million, benefiting from the impact of restructuring of lease arrangements on the Group's owner-occupied properties.

Investment return increased from R65 million in the prior year to R458 million. This was mainly driven by fair value gains of R422 million from the revaluation of the Group's investment in venture capital funds, and R71 million foreign exchange gains on offshore investments.

## Outlook

We are encouraged by the resilience of the Group's operational performance during a period of challenging economic conditions. The normalised headline earnings of R1 063 million for the third quarter, suggests that we have largely recovered from the impact of Covid-19 on earnings. During the period, the Group achieved solid growth in new business volumes, with the exception of Momentum Life protection business.

The Group's robust levels of capital and liquidity enable our portfolio of businesses to focus on delivering on the strategic objectives of our Reinvent and Grow strategy. These include various digital transformation-related initiatives, and efforts to improve our capital efficiency.

We are encouraged by the recovery in normalised headline earnings, 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%.

30 May 2022  
CENTURION

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

## Conference call

The executive management of Momentum Metropolitan will be hosting a conference call for shareholders, investors and analysts on 30 May 2022.

We kindly request callers to pre-register using the following link <https://www.diamondpass.net/3727404>.

A passcode and pin will be generated following registration. We advise callers to dial in 5 minutes before the conference call starts at 14:00.

Access numbers for participants dialling live from their country:

South Africa	011 535 3500 (Neotel)
	010 201 6700 (Telkom)
UK	0 333 300 1417
USA and Canada	1 508 924 4325
Other Countries	+27 11 535 3500

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

Access Numbers for Recorded Playback:

South Africa	010 500 4108
UK	0 203 608 8021
USA and Canada	1 412 317 0088
Australia	073 911 1378
Other Countries	+27 10 500 4108

Access code for recorded playback: 42299

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