momentum
METROPOLITAN

Financial Results
Announcement

Operating Update and Summarised Audited Annual Financial Statements for the financial year ended 30 June 2023

Operating Update

For the financial year ended 30 June 2023

MOMENTUM METROPOLITAN HOLDINGS LIMITED
Incorporated in the Republic of South Africa
Registration number: 2000/031756/06
JSE share code: MTM
A2X share code: MTM
NSX share code: MMT
ISIN code: ZAE000269890
(Momentum Metropolitan or the Group)

MOMENTUM METROPOLITAN LIFE LIMITED
Incorporated in the Republic of South Africa
Registration number: 1904/002186/06
LEI: 378900E0A78B7549C212
Company code: MMIG
(Momentum Metropolitan Life)

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

Summary of key metrics

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

1 Normalised headline earnings adjust the JSE definition of headline earnings for the dilutive impact of finance costs related to preference shares that can be converted into ordinary shares of the Group, the impact of treasury shares held by policyholder funds and the iSabelo Trust, the amortisation of intangible assets arising from business combinations, the impairment of loans to subsidiaries following the Group's disinvestment, Broad-based black economic empowerment (B-BBEE) costs and the amortisation of the discount at which the iSabelo Trust acquired the Momentum Metropolitan treasury shares. The adjustment for the impact of treasury shares removes mismatches that are unique to financial institutions that invest in their own securities on behalf of clients. During 2023 the definition of NHE was refined to include the impairment of loans to subsidiaries, following the Group's strategic decision to disinvest from Kenya.

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

3 Return on equity expresses normalised headline earnings as a percentage of start-of-year net asset value, adjusted for the items outlined in footnote 2, as well as the adjusting items to determine headline earnings.

MOMENTUM METROPOLITAN ANNOUNCES STRONG RESULTS

Shareholders benefit from increased dividends and further buybacks

Introduction

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

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

Overview of financial results

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

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

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

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

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

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

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

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

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

CAPITAL MANAGEMENT ACTIVITIES

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

Share buyback programme

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

Dividends

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

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

Capital deployment

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

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

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

Acquisition of RMI Investment Managers

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

CONSOLIDATED GROUP FINANCIAL PERFORMANCE

Group financial performance

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

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

Operating profit

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

Investment return

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

Mortality experience

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

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

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

INVESTMENT VARIANCE

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

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

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

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

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

CONSOLIDATED GROUP NEW BUSINESS PERFORMANCE

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

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

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

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

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

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

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

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

EMBEDDED VALUE

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

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

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

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

SEGMENTAL PERFORMANCE

Momentum Life

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

Normalised headline earnings

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

New business

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

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

Momentum Investments

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

Normalised headline earnings

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

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

New business

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

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

Assets under management and administration

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

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

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

Metropolitan Life

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

Normalised headline earnings

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

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

New business

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

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

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

Momentum Corporate

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

Normalised headline earnings

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

New business

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

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

Momentum Metropolitan Health

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

Normalised headline earnings

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

Membership

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

Non-life Insurance

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

Normalised headline earnings

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

Guardrisk

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

GGI underwriting performance is set out below:

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

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

Momentum Insure

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

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

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

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

MOMENTUM METROPOLITAN AFRICA

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

Normalised headline earnings

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

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

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

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

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

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

Centre costs were largely stable year on year.

New business

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

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

NEW INITIATIVES

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

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

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

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

Aditya Birla Health Insurance

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

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

Other

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

SHAREHOLDERS SEGMENT

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

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

SOLVENCY

Regulatory solo solvency position of the Group's insurance entities

The solo SCR for the Group's regulated insurance entities were as follows:

Regulatory solvency position as at 30 June 2023

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

Regulatory solvency position as at 30 June 2022

R million	Momentum Metropolitan Life	Guardrisk Insurance	Guardrisk Life	Momentum Insure
Eligible own funds (pre dividend)	30 362	3 006	3 473	977
SCR	14 939	2 545	2 970	695
SCR cover (times)	**2.03**	**1.18**	**1.17**	**1.41**

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

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

The SCR cover for Momentum Insure increased from 1.41 times SCR at 30 June 2022 to 1.58 times SCR at 30 June 2023. Momentum Insure's solvency position was negatively affected by high claim ratios over the financial year and capital was deployed to Momentum Insure to maintain the solvency position within the target range of 1.4 to 1.6 times SCR.

Regulatory group solvency position for Momentum Metropolitan Holdings

The Prudential Authority has designated Momentum Metropolitan Holdings as an insurance group. The Accounting Consolidation method is used for certain group entities (notably Momentum Metropolitan Life and Momentum Insure).

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

The Group SCR cover is impacted by the restrictions applied to the own funds of cell captive insurers and if Guardrisk were excluded, the SCR cover for the Group would increase to 1.8 times SCR at 30 June 2023.

OUTLOOK

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

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

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

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

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

BOARD AND BOARD COMMITTEE CHANGES

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

Retirement of Mr Hilgard Pieter (Hillie) Meyer

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

13 September 2023
CENTURION

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

Equity sponsor:

Merrill Lynch South Africa (Pty) Limited t/a BofA Securities

Sponsor in Namibia

Simonis Storm Securities (Pty) Limited

Debt Sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)

Summarised audited annual financial statements

Audited results for the financial year ended 30 June 2023

MOMENTUM METROPOLITAN
Summarised Audited Annual Financial Statements for the year ended 30 June 2023

Contents

Directors' statement

The Board is pleased to present the summarised audited results of Momentum Metropolitan Holdings Ltd (MMH or the Company) and its subsidiaries (collectively Momentum Metropolitan or the Group) for the year ended 30 June 2023. The preparation of the Group's results was supervised by the Group Finance Director, Risto Ketola (FIA, FASSA, CFA Charterholder).

CORPORATE EVENTS

Acquisitions

On 1 July 2022, the Group, through its 100% owned subsidiary, Guardrisk Group (Pty) Ltd (Guardrisk Group), completed a step-up acquisition to acquire an additional 25% of the shares in Partner Risk Solutions (Pty) Ltd (PRS), resulting in the Group exercising control and thus consolidating PRS from that date. Guardrisk Group originally acquired a 26% equity share in PRS in 2019, following which the investment was equity accounted. The step-up acquisition was executed through the exercise of a call option for cash consideration of R9 million.

During March 2023, the Group, through its wholly owned subsidiary, Momentum Global Investments Management Ltd (MGIM), acquired 100% of the shares in Crown Agents Investment Management Ltd (CAIM) for a purchase consideration of £2.90 million (R64 million). The purchase consideration consisted of an initial cash payment of £2.13 million (R47 million) and £0.77 million (R17 million) contingent consideration.

Disposals and dilution

During July 2022, the Group, through its wholly owned subsidiary, Metropolitan International Holdings (Pty) Ltd, disposed of its entire shareholding in Metropolitan Cannon Life Assurance Ltd and Metropolitan Cannon General Insurance Ltd. A loss on disposal of R112 million was recognised.

During October 2022, the Group's holding in Aditya Birla Health Insurance Company Ltd (ABHI) was diluted from 49% to 44.1% with the introduction of a new shareholder as a partner in the business. As a result, a gain on deemed disposal of R563 million was recognised.

Share buyback programme

The Group bought back a total of 73 million shares (for a cost of R1 250 million including transaction costs) during the current year. These shares were cancelled prior to 30 June 2023.

BASIS OF PREPARATION OF FINANCIAL INFORMATION

These summarised audited results have been prepared in accordance with the following:

- International Accounting Standard (IAS) 34 – Interim financial reporting;
- South African Institute of Chartered Accountants Financial Reporting Guides (as issued by the Accounting Practices Committee);
- Financial Pronouncements (as issued by the Financial Reporting Standards Council);
- JSE Listings Requirements; and
- South African Companies Act, 71 of 2008, as amended.

The accounting policies applied in the preparation of these summarised audited results are in terms of International Financial Reporting Standards (IFRS) and are consistent with those adopted in the previous year except as described below and for specific restatements being listed in note 12. Critical judgements and accounting estimates are disclosed in detail in the Group's Annual Financial Statements (AFS) for the year ended 30 June 2023, including changes in estimates that are an integral part of the insurance business. The Group is exposed to financial and insurance risks, details of which are also provided in the Group's Integrated Report and AFS.

NEW AND REVISED STANDARDS EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2023 AND RELEVANT TO THE GROUP

The following new and amended standards became effective for the first time in the current year and had no impact on the Group's earnings or net asset value (NAV):

- Reference to the Conceptual Framework: Amendments to IFRS 3;
- Proceeds before intended use: Amendments to IAS 16;
- Costs of fulfilling a contract: Amendments to IAS 37; and
- International Tax Reform – Pillar Two model rules: Amendments to IAS 12[1].

The International Accounting Standards Board (IASB) made amendments to IFRS 9 – *Financial instruments* as part of their annual improvements project. These amendments had no impact on the Group's earnings.

[1] The amendments are effective immediately upon issuance (May 2023). The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023. The legislation relating to Pillar Two has not yet been enacted in South Africa. It is anticipated that it will only apply from 2025 onwards. The impact is not known at this stage.

SOLVENCY ASSESSMENT AND GOING CONCERN

The Group is pleased by the solid earnings achieved during a challenging period. The positive mortality experience variances in the Group's main life insurance segments continue to suggest that the Coronavirus disease of 2019 (Covid-19) pandemic has reached its endemic phase. The Group is profitable, with robust levels of capital and liquidity and a strong regulatory solvency position. The Board, through the Audit Committee and Actuarial Committee, has received reports and updates on the operational and financial performance. The Board is satisfied of the Group's solvency, taking into account its ability to withstand impacts from the continuously evolving environment, and its ability to continue as a going concern.

CORPORATE GOVERNANCE

The Board has satisfied itself that the Group has applied the principles of corporate governance as detailed in the King Report on Corporate Governance for South Africa, 2016 (King IV™)* throughout the year under review. Refer to the Integrated Report and the King IV Application Summary available on the Group's website for details of the governance framework and assessment of its application throughout the year.

CHANGES TO THE DIRECTORATE, SECRETARY AND DIRECTORS' SHAREHOLDING

- Peter Cooper acted as interim Chair until the appointment of Paul Baloyi as Chair on 1 July 2022.
- On 24 November 2022, Vuyisa Nkonyeni retired from the Board.
- On 31 December 2022, Dr Sharron McPherson resigned from the Board.
- On 31 May 2023, Lisa Chiume resigned from the Board.
- On 1 June 2023, Dr Ann Leautier, Phillip Matlakala and Tyrone Soondarjee were appointed to the Board.

All transactions in listed shares of the Company involving directors and prescribed officers were disclosed on the Stock Exchange News Service (SENS).

PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group is party to legal proceedings and appropriate provisions are made when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The Group is not aware of capital commitments at 30 June 2023 that were not in the ordinary course of business other than what is disclosed in the AFS.

EVENTS AFTER THE REPORTING PERIOD

In July 2023, the Group's holding in ABHI was diluted from 44.1% to 44.087% following an additional share issue to the shareholder introduced during October 2022.

HP Meyer retired as Group Chief Executive Officer on 31 July 2023. On 1 August 2023, JC Marais (Cilliers) was appointed as Group Chief Executive Officer. On 30 September 2023, HP Meyer will retire from the Board.

In line with the Group's capital management framework and in consideration of the strong capital and liquidity position, the Board has approved a further R500 million for the share buyback programme of the Group's ordinary shares.

MMH concluded a sale agreement with OUTsurance Group (previously Rand Merchant Investment Holdings (RMIH)) in terms of which MMH will acquire RMIH's share in the RMI Investment Managers Group. The transaction is subject to customary terms and conditions for transactions of this nature, including approval by the competition authorities.

Refer to note 34 in the Group's AFS for more details relating to this event. No other material events occurred between the reporting date and the date of approval of these results.

Directors' statement continued

FINAL DIVIDEND DECLARATION

Ordinary shares

- On 11 September 2023, a gross final ordinary dividend of 70 cents per ordinary share was declared by the Board.
- The dividend is payable out of income reserves to all holders of ordinary shares recorded in the register of the Company at the close of business on Friday, 6 October 2023, and will be paid on Monday, 9 October 2023.
- 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 56 cents per ordinary share for those shareholders who are not exempt from paying dividend tax.
- The last day to trade cum dividend will be Tuesday, 3 October 2023.
- The shares will trade ex dividend from the start of business on Wednesday, 4 October 2023.
- Share certificates may not be dematerialised or rematerialised between Wednesday, 4 October 2023 and Friday, 6 October 2023, both days inclusive.
- The number of ordinary shares at the declaration date was 1 424 779 972.
- MMH's income tax number is 975 2050 147.

Preference shares

- Dividends of R18.5 million (30.06.2022: R18.5 million) (132 cents per share p.a.) were declared on the unlisted A3 MMH preference shares as determined by the Company's Memorandum of Incorporation.

THE BOARD OF DIRECTORS' RESPONSIBILITY

The preparation of these results, and the correct extraction thereof from the Group's audited 2023 AFS, are the responsibility of the Board of directors. A printed version of the full AFS and the SENS announcement may be requested from the office of the Group Company Secretary, Gcobisa Tyusha, tel: +27 12 673 1931 or gcobisa.tyusha@mmltd.co.za.

EXTERNAL AUDIT

These summarised results have not been audited, but have been extracted from the Group's AFS for the year ended 30 June 2023, which have been audited by Ernst & Young Inc. and their unqualified audit report, together with the Group's audited AFS for the year ended 30 June 2023, are available for inspection at the Company's registered office and on Momentum Metropolitan's website. In addition, the summarised Group embedded value information has been extracted from the Group's Embedded Value Report for the year ended 30 June 2023, which has been reviewed by Ernst & Young Inc. in accordance with the embedded value basis of the Group, and the review report is available for inspection at the Company's registered office. Appointments must be made for inspections at the Company's registered office.

Signed on behalf of the Board

Paul Baloyi
Chair

Centurion
11 September 2023

Jeanette Marais (Cilliers)
Group Chief Executive Officer

Centurion
11 September 2023

Hillie Meyer
Executive Director

Centurion
11 September 2023

Condensed consolidated statement of financial position

	Notes	30.06.2023 Rm	Restated 30.06.2022[1] Rm	Restated 01.07.2021[1] Rm
Assets				
Intangible assets		**7 976**	8 747	9 939
Owner-occupied properties		**3 049**	3 016	3 033
Fixed assets		**478**	478	404
Investment properties		**8 825**	9 051	8 938
Properties under development		**172**	162	163
Investments in associates and joint ventures		**1 907**	1 447	1 105
Employee benefit assets		**400**	460	697
Financial assets at fair value through profit and loss (FVPL)	11	**549 397**	489 511	468 767
Financial assets at amortised cost	11	**9 292**	8 735	7 083
Reinsurance contract assets		**12 483**	14 748	6 818
Deferred income tax		**984**	880	756
Insurance and other receivables		**6 685**	7 799	6 779
Current income tax assets		**82**	81	456
Non-current assets held for sale		**56**	14	171
Cash and cash equivalents	11	**35 013**	28 720	36 822
Total assets		**636 799**	573 849	551 931
Equity				
Equity attributable to owners of the parent		**26 764**	24 577	21 524
Non-controlling interests		**387**	365	348
Total equity		**27 151**	24 942	21 872
Liabilities				
Insurance contract liabilities				
Life insurance contracts	2	**134 119**	126 210	128 925
Non-life insurance contracts	2	**19 512**	22 152	13 563
Investment contracts	2	**377 194**	321 609	311 722
– with discretionary participation features (DPF)	11	**3 267**	2 994	19 222
– designated at FVPL	11	**373 927**	318 615	292 500
Financial liabilities at FVPL	11	**44 830**	48 141	48 005
Financial liabilities at amortised cost	11	**3 969**	4 336	4 164
Reinsurance contract liabilities		**2 795**	2 299	2 347
Deferred income tax		**2 531**	2 601	2 729
Employee benefit obligations		**1 749**	1 438	1 148
Other payables		**21 397**	19 598	17 003
Provisions		**380**	307	283
Current income tax liabilities		**1 172**	216	170
Total liabilities		**609 648**	548 907	530 059
Total equity and liabilities		**636 799**	573 849	551 931

[1] Refer to note 12 for more information on the restatements.

Condensed consolidated income statement

	Notes	12 mths to 30.06.2023 Rm	Restated 12 mths to 30.06.2022[1] Rm
Net insurance premiums	2	**43 480**	38 893
Fee income	2, 2.3	**10 349**	9 267
Investment income		**30 769**	25 513
Net realised and unrealised fair value gains/(losses)		**40 429**	(3 516)
Net income		**125 027**	70 157
Net insurance benefits and claims	2	**30 059**	30 376
Change in actuarial liabilities and related reinsurance		**4 225**	(6 605)
Change in life insurance contract liabilities		**5 708**	(3 303)
Change in non-life insurance contract liabilities		**(107)**	(126)
Change in investment contracts with DPF liabilities		**274**	(1 644)
Change in reinsurance assets		**(1 637)**	(874)
Change in reinsurance liabilities		**(13)**	(658)
Fair value adjustments on investment contract liabilities		**48 657**	10 884
Fair value adjustments on collective investment scheme (CIS) liabilities		**3 526**	894
Depreciation, amortisation and impairment expenses	2	**1 503**	1 680
Employee benefit expenses	2	**7 946**	7 157
Sales remuneration	2	**7 776**	7 432
Other expenses	2	**9 922**	8 498
Expenses		**113 614**	60 316
Results of operations		**11 413**	9 841
Share of equity accounted loss on associates and joint ventures		**(147)**	(243)
Profit on dilution/sale of associates and joint ventures		**563**	246
Finance costs	6	**(2 556)**	(2 327)
Profit before tax		**9 273**	7 517
Income tax expense		**(4 847)**	(3 709)
Earnings for the year		**4 426**	3 808
Attributable to:			
Owners of the parent		**4 333**	3 711
Non-controlling interests		**93**	97
		4 426	3 808
Basic earnings per ordinary share (cents)	1	**313.3**	260.6
Diluted earnings per ordinary share (cents)	1	**306.9**	256.9

[1] Refer to note 12 for more information on the restatements.

Consolidated statement of comprehensive income

	12 mths to 30.06.2023 Rm	Restated 12 mths to 30.06.2022[1] Rm
Earnings for the year	**4 426**	3 808
Other comprehensive income/(loss), net of tax	**516**	(29)
Items that may subsequently be reclassified to income	**479**	96
Exchange differences on translating foreign operations[2, 3]	**362**	37
Share of other comprehensive income of associates	**117**	59
Items that will not be reclassified to income	**37**	(125)
Own credit losses on financial liabilities designated at FVPL	**(6)**	(26)
Land and building revaluation	**31**	(138)
Remeasurements of post-employee benefit funds	**10**	(8)
Income tax relating to items that will not be reclassified	**2**	47
Total comprehensive income for the year	**4 942**	3 779
Total comprehensive income attributable to:		
Owners of the parent	**4 852**	3 682
Non-controlling interests	**90**	97
	4 942	3 779

1 Refer to note 12 for more information on the restatements.

2 In the current year, included in Exchange differences on translating foreign operations is a R32 million loss and a R11 million profit which represents the foreign currency translation reserve (FCTR) release on the sale of Metropolitan Cannon Life Assurance Ltd and Metropolitan Cannon General Insurance Ltd, as well as the dilution of the holding in ABHI respectively. As a result, a net income of R21 million was recognised in the income statement.

3 The movement in the current year is primarily caused by the weakening of the ZAR against the USD, GBP, EUR and INR but was offset by the strengthening of the ZAR against the GHS. In the prior year, the movement was primarily caused by the strengthening of the ZAR against the GBP, BWP, GHS, KES and USD.

Consolidated statement of changes in equity

	Notes	12 mths to 30.06.2023 Rm	Restated 12 mths to 30.06.2022[1] Rm
Changes in share capital			
Balance at beginning and end		**9**	9
Changes in share premium			
Balance at beginning		**12 760**	12 728
Net movement in treasury shares held on behalf of contract holders		**59**	32
Balance at end		**12 819**	12 760
Changes in other reserves			
Balance at beginning		**1 409**	1 469
Investment in associate FCTR	12	**–**	(51)
Restated opening balance		**1 409**	1 418
Total comprehensive income/(loss)		**525**	(3)
Equity-settled share-based payments		**52**	52
Transfer from/(to) retained earnings		**14**	(58)
Balance at end	9	**2 000**	1 409
Changes in retained earnings			
Balance at beginning		**10 399**	7 369
Total comprehensive income		**4 327**	3 685
Dividend declared		**(1 594)**	(735)
Shares repurchased and cancelled		**(1 250)**	–
Increase relating to transactions with non-controlling interests		**–**	151
Decrease relating to transactions with non-controlling interests		**(2)**	(129)
Transfer (to)/from other reserves		**(14)**	58
Release of put option on minority interest[2]		**70**	–
Balance at end		**11 936**	10 399
Equity attributable to owners of the parent		**26 764**	24 577
Changes in non-controlling interests			
Balance at beginning		**365**	348
Business combinations		**1**	–
Total comprehensive income		**90**	97
Dividend paid		**(73)**	(58)
Increase relating to transactions with owners[2]		**33**	38
Decrease relating to transactions with owners		**–**	(60)
Sale of subsidiary		**(29)**	–
Balance at end		**387**	365
Total equity		**27 151**	24 942

1 Refer to note 12 for more information on the restatements.

2 Relates primarily to the put option liability in relation to Metropolitan Cannon Life Assurance Ltd and Metropolitan Cannon General Insurance Ltd. The put option lapsed unexercised during the current year.

Condensed consolidated statement of cash flows

	12 mths to 30.06.2023 Rm	Restated 12 mths to 30.06.2022[1] Rm
Cash flow from operating activities		
Cash generated/(utilised) in operations	**(6 928)**	(22 349)
Interest received	**19 368**	16 019
Dividends received	**4 216**	6 190
Income tax paid	**(4 076)**	(3 484)
Interest paid	**(2 586)**	(1 986)
Net cash inflow/(outflow) from operating activities	**9 994**	(5 610)
Cash flow from investing activities		
Net investments in subsidiaries	**(18)**	–
Contingent consideration related to business combinations	**–**	(64)
Proceeds on sale of associate	**–**	147
Proceeds on sale of joint venture and intangibles included in non-current assets held for sale	**–**	291
Investments in associates and joint ventures	**(9)**	(647)
Capital injection on associate held in non-current assets held for sale	**–**	(69)
Net outflow from disposal of subsidiary	**(29)**	–
Loans advanced to related parties	**(364)**	–
Loan repayments from related parties	**2**	150
Purchases of owner-occupied properties	**(30)**	(256)
Purchase of property and equipment	**(247)**	(279)
Proceeds from disposal of property and equipment	**22**	–
Purchases of computer software	**(104)**	–
Proceeds from disposal of computer software	**–**	(58)
Dividends from associates	**73**	37
Net cash outflow from investing activities	**(704)**	(748)
Cash flow from financing activities		
Subordinated call notes issued	**–**	1 000
Subordinated call notes repaid	**(980)**	(87)
Net proceeds/(repayment) from/(of) carry positions[2]	**1 344**	(913)
Preference shares proceeds[2]	**55**	38
Preference shares repaid[2]	**(28)**	(62)
Proceeds from other borrowings measured at fair value[2]	**30**	796
Repayment of other borrowings measured at fair value[2]	**(801)**	(936)
Proceeds from other borrowings measured at amortised cost[2]	**176**	263
Repayment of other borrowings measured at amortised cost[2]	**(649)**	(390)
Dividends paid to equity holders	**(1 594)**	(735)
Dividends paid to non-controlling interest shareholders	**(73)**	(58)
Purchase of treasury shares held on behalf of contract holders[2]	**(204)**	(332)
Proceeds from disposal of treasury shares held on behalf of contract holders[2]	**263**	364
Shares purchased from non-controlling interest shareholders	**(1)**	(347)
Shares issued to non-controlling interest shareholders	**5**	347
Shares repurchased	**(1 250)**	–
Net cash outflow from financing activities	**(3 707)**	(1 052)
Net cash flow	**5 583**	(7 410)
Cash resources and funds on deposit at beginning	**28 720**	36 822
Foreign currency translation	**710**	(692)
Cash resources and funds on deposit at end	**35 013**	28 720
Made up as follows:		
Cash and cash equivalents	**35 013**	28 720

1 Refer to note 12 for more information on the restatements.

2 These line items were previously disclosed on a net basis and have subsequently been disaggregated to enhance comparability and usefulness.

The Group has access to a R400 million committed preference share facility concluded on 29 June 2023. No drawdowns have been effected in the current year.

Notes to the summarised audited annual financial statements

NOTE 1

EARNINGS

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 policyholder funds and the iSabelo Trust, the amortisation of intangible assets arising from business combinations and Broad-based black economic empowerment (B-BBEE) costs. Additionally, the iSabelo special purpose vehicle, which houses preference shares issued as part of the employee share ownership scheme's funding arrangement is deemed to be external from the Group and the discount at which the iSabelo Trust acquired the MMH treasury shares is amortised over a period of 10 years and recognised as a reduction to normalised headline earnings. During the current year, the definition of normalised headline earnings was refined to include the impairment of loans to subsidiaries following the Group's strategic decision to disinvest from Kenya.

EARNINGS attributable to owners of the parent	Basic earnings		Diluted earnings	
	12 mths to 30.06.2023 Rm	**12 mths to 30.06.2022 Rm**	**12 mths to 30.06.2023 Rm**	**12 mths to 30.06.2022 Rm**
Earnings – equity holders of the Group	**4 333**	3 711	**4 333**	3 711
Finance costs – convertible preference shares			**37**	37
Diluted earnings			**4 370**	3 748
Adjustments within equity-accounted earnings	**3**	16	**3**	16
Profit on dilution of associate[1]	**(563)**	–	**(563)**	–
Intangible asset impairments[2]	**478**	709	**478**	709
Tax on intangible asset impairments	**–**	4	**–**	4
Gain on sale of associate and joint venture[3]	**–**	(246)	**–**	(246)
Loss on sale of subsidiaries[4]	**112**	–	**112**	–
FCTR reversal on dilution of associate[1]	**11**	–	**11**	–
FCTR reversal on sale of foreign subsidiaries[4]	**(32)**	–	**(32)**	–
Loss on sale of fixed assets	**1**	–	**1**	–
Net (reversal of impairment)/impairment of owner-occupied property below cost[5]	**(46)**	35	**(46)**	35
Tax on net impairment of owner-occupied property below cost	**–**	4	**–**	4
Headline earnings[6]	**4 297**	4 233	**4 334**	4 270
B-BBEE costs			**16**	11
Adjustments for iSabelo[7]			**200**	(54)
Adjustments for MMH shares held by policyholder funds			**141**	(134)
Amortisation of intangible assets relating to business combinations			**350**	290
Impairment of loans to subsidiaries following the Group's disinvestment			**38**	–
Normalised headline earnings[8]			**5 079**	4 383

1 Relates to the dilution of the Group's shareholding in ABHI from 49% to 44.1% in the New Initiatives segment.

2 The current and prior year impairments relates mainly to:

– Goodwill recognised as part of the acquisition of the Alexander Forbes Short-term Insurance business (Non-life Insurance segment). The business was subsequently integrated with Momentum Short-term Insurance and referred to as Momentum Insure. The recoverable amount (R1 708 million) of the cash-generating unit (Momentum Insure) is determined based on value-in-use calculations with reference to directors' valuations (DVs). The impairment is a consequence of a revision to the five-year earnings forecast that reflects a weaker medium-term growth outlook. This follows a challenging year in terms of claims experience, which will take some time to normalise. The remaining goodwill balance after the impairment is Rnil (2022: R478 million).

3 Related to the sale of aYo Holdings Ltd, the related intellectual property sold as part of the disposal, as well as the sale of Aluwani Capital Partners (Pty) Ltd.

4 Relates to the sale of Metropolitan Cannon Life Assurance Ltd and Metropolitan Cannon General Insurance Ltd in the Momentum Metropolitan Africa segment.

5 The net impairment in the current and prior year mainly relates to the Marc, Tower 2. The impairment in the prior year was largely attributed to the decline in market rental rates for office property in Sandton, as well as the weak property market outlook as a result of the Covid-19 pandemic. In the current year, the market has improved which resulted in a partial reversal of the previous impairment recognised.

6 Headline earnings consist of operating profit, investment return, investment variances and basis and other changes. The long-term insurance industry exemption which allows that net realised and unrealised fair value gains on investment properties not being excluded from headline earnings has been applied.

7 This mainly includes the fair value gain (2022: loss) on the preference shares issued to the iSabelo special purpose vehicle, the add back of the IFRS 2 expense incurred as a result of the employee share ownership scheme, as well as the investment income earned on the preference shares.

8 Refer to note 2 for an analysis of normalised headline earnings per segment.

NOTE 1 CONTINUED

EARNINGS PER SHARE (cents)

attributable to owners of the parent	**12 mths to 30.06.2023**	**12 mths to 30.06.2022**
Basic		
Earnings	**313.3**	260.6
Headline earnings	**310.7**	297.3
Basic weighted average number of shares (million)[1]	**1 383**	1 424
Basic number of shares in issue (million)	**1 355**	1 424
Diluted		
Normalised headline earnings	**342.3**	287.2
Diluted weighted average number of shares for normalised headline earnings (million)[2]	**1 484**	1 526
Diluted number of shares in issue (million)	**1 453**	1 526
Earnings	**306.9**	256.9
Headline earnings	**304.4**	292.7
Diluted weighted average number of shares (million)[1]	**1 424**	1 459

1 For basic and diluted earnings and headline earnings per share, treasury shares held on behalf of contract holders as well as those held by a subsidiary on behalf of employees are deemed to be cancelled.

2 For normalised headline earnings per share, treasury shares held on behalf of contract holders as well as those held by a subsidiary on behalf of employees are deemed to be issued.

NOTE 2

SEGMENTAL REPORT

The Group's reporting view reflects the following segments:

- **Momentum Life:** Momentum Life includes protection and savings products focused on the middle and affluent client segments, as well as Multiply, a wellness focused client engagement platform.
- **Momentum Investments:** Momentum Investments consists of the Momentum Wealth platform business, local and offshore asset management operations, retail annuities and guaranteed investments, as well as Eris Properties.
- **Metropolitan Life:** Metropolitan Life focuses on the lower and middle income retail market segment, with a range of protection, savings and annuity products.
- **Momentum Corporate:** Momentum Corporate offers group risk, annuities, pension savings and umbrella fund (FundsAtWork) products.
- **Momentum Metropolitan Health:** Provides healthcare solutions to individuals, corporates and the public sector within a range of structures and products.
- **Non-life Insurance:** Non-life Insurance comprises the retail general insurance offering, Momentum Insure; and the cell captive insurer, Guardrisk.
- **Momentum Metropolitan Africa:** This segment includes the Group's operations within other African countries. This includes life insurance, non-life insurance, health insurance and administration and asset management. Botswana, Lesotho and Namibia contribute most materially to the results of this segment.
- **New Initiatives:** This includes India, Momentum Money, Exponential Integration and Consult by Momentum.
- **Shareholders:** The Shareholders segment represents the investment return on venture capital fund investments, a proportion of the investment returns from Momentum Metropolitan Life Ltd (MML), less the head office costs not allocated to operating segments (e.g. certain holding company expenses).

The Executive Committee of the Group assesses the performance of the operating segments based on normalised headline earnings.

A reconciliation of earnings to normalised headline earnings is provided in note 1.

Refer to the embedded value report for in depth detail on covered business.

Notes to the summarised audited annual financial statements continued

NOTE 2 CONTINUED

SEGMENTAL REPORT CONTINUED

	Notes	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm	Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[1] Rm	Total Rm
12 mths to 30.06.2023													
Revenue													
Net insurance premiums	2.4	10 532	36 726	8 561	18 705	1 258	15 246	4 911	–	–	95 939	(52 459)	43 480
Recurring premiums		9 738	951	6 568	14 441	1 258	12 133	4 033	–	–	49 122	(14 965)	34 157
Single premiums		794	35 775	1 993	4 264	–	3 113	878	–	–	46 817	(37 494)	9 323
Fee income		1 194	3 915	24	1 566	2 541	2 188	158	210	617	12 413	(2 064)	10 349
Fee income	2.3, 2.4	1 151	3 099	24	1 565	2 477	2 194	159	115	45	10 829	(480)	10 349
Intergroup fee income		43	816	–	1	64	(6)	(1)	95	572	1 584	(1 584)	–
Expenses													
Net payments to contract holders													
External payments		10 167	26 882	6 412	19 740	810	7 798	3 252	–	–	75 061	(45 002)	30 059
Other expenses[2]		3 521	3 886	3 232	1 923	2 493	5 920	1 666	499	806	23 946	3 201	27 147
Sales remuneration		1 302	1 088	1 086	127	78	3 480	571	44	–	7 776	–	7 776
Administration expenses		1 970	2 017	1 961	1 486	2 005	2 110	909	297	1 431	14 186	3 436	17 622
Asset management, direct property and other fee expenses		76	296	–	–	6	–	4	2	16	400	1 349	1 749
Intergroup expenses		173	485	185	310	404	330	182	156	(641)	1 584	(1 584)	–
Normalised headline earnings	2.1	1 935	904	307	1 330	290	232	596	(428)	(87)	5 079	–	5 079
Operating profit/(loss)[3]		2 520	968	327	1 627	397	405	529	(446)	89	6 416	–	6 416
Tax on operating profit/(loss)		(696)	(232)	(90)	(439)	(110)	(217)	(21)	8	(200)	(1 997)	–	(1 997)
Investment return		134	209	86	173	4	56	122	11	7	802	–	802
Tax on investment return		(23)	(41)	(16)	(31)	(1)	(12)	(34)	(1)	17	(142)	–	(142)
Covered	2.2	2 015	636	305	1 330	–	–	740	–	49	5 075	–	5 075
Non-covered	2.2	(80)	268	2	–	290	232	(144)	(428)	(136)	4	–	4
		1 935	904	307	1 330	290	232	596	(428)	(87)	5 079	–	5 079
Basis changes and investment variances[4]		770	66	(201)	40	–	–	470	–	45	1 190	–	1 190
Actuarial liabilities		80 810	226 006	38 535	117 571	211	49 272	18 149	–	271	530 825	–	530 825

1. Reconciling items include investment contract business premiums and claims; intergroup fee income and expenses; direct property (R520 million) and asset management fees for all entities (R829 million), except non-life entities, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; asset management fees from cell captive business (R2 937 million); the amortisation of intangible assets relating to business combinations (R468 million); expenses relating to consolidated CISs and other minor adjustments to expenses and fee income.
2. Other expenses consists of the following line items on the income statement: depreciation, amortisation and impairment expenses, employee benefit expenses, sales remuneration and other expenses.
3. Operating profit/(loss) is normalised headline earnings gross of tax less investment return.
4. Basis changes and investment variances are included in normalised headline earnings and are net of tax. The reported numbers represent basis changes on in-force covered business and investment variances that are aligned with embedded value reporting.

NOTE 2 CONTINUED

SEGMENTAL REPORT CONTINUED

	Notes	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm	Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Shareholders Rm	Segmental total Rm	Reconciling items[1] Rm	Total Rm
Restated													
12 mths to 30.06.2022[2]													
Revenue													
Net insurance premiums	2.4	9 889	30 732	8 239	17 509	1 186	14 035	5 620	–	–	87 210	(48 317)	38 893
Recurring premiums		9 392	869	6 450	12 798	1 186	10 907	4 015	–	–	45 617	(14 328)	31 289
Single premiums		497	29 863	1 789	4 711	–	3 128	1 605	–	–	41 593	(33 989)	7 604
Fee income		1 274	3 689	70	1 237	2 315	1 685	189	123	546	11 128	(1 861)	9 267
Fee income	2.3, 2.4	1 233	2 976	70	1 234	2 261	1 685	189	83	–	9 731	(464)	9 267
Intergroup fee income		41	713	–	3	54	–	–	40	546	1 397	(1 397)	–
Expenses													
Net payments to contract holders													
External payments		11 250	27 035	6 485	19 917	724	6 373	3 418	–	–	75 202	(44 826)	30 376
Other expenses[3]		3 350	3 579	3 072	1 611	2 320	5 445	1 747	215	775	22 114	2 653	24 767
Sales remuneration		1 324	998	1 160	85	83	3 070	675	37	–	7 432	–	7 432
Administration expenses		1 783	1 927	1 748	1 222	1 826	2 099	830	105	1 381	12 921	2 888	15 809
Asset management, direct property and other fee expenses		53	286	–	–	7	–	2	1	15	364	1 162	1 526
Intergroup expenses		190	368	164	304	404	276	240	72	(621)	1 397	(1 397)	–
Normalised headline earnings	2.1	1 110	938	672	1 174	209	461	118	(466)	167	4 383	–	4 383
Operating profit/(loss)[4]		1 395	1 145	845	1 475	295	450	22	(467)	(285)	4 875	–	4 875
Tax on operating profit/(loss)		(419)	(275)	(239)	(426)	(83)	(51)	(14)	(1)	(4)	(1 512)	–	(1 512)
Investment return		143	83	71	134	(4)	70	137	2	535	1 171	–	1 171
Tax on investment return		(9)	(15)	(5)	(9)	1	(8)	(27)	–	(79)	(151)	–	(151)
Covered	2.2	1 164	680	670	1 172	–	–	202	–	(17)	3 871	–	3 871
Non-covered	2.2	(54)	258	2	2	209	461	(84)	(466)	184	512	–	512
		1 110	938	672	1 174	209	461	118	(466)	167	4 383	–	4 383
Basis changes and investment variances[5]		307	136	95	399	–	–	39	–	75	1 051	–	1 051
Actuarial liabilities		74 637	190 001	36 265	106 861	108	45 052	16 899	–	148	469 971	–	469 971

1 Reconciling items include investment contract business premiums and claims; intergroup fee income and expenses; direct property (R460 million) and asset management fees for all entities (R702 million), except non-life entities, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; asset management fees from cell captive business (R2 395 million); the amortisation of intangible assets relating to business combinations (R475 million); expenses relating to consolidated CISs and other minor adjustments to expenses and fee income.

2 Refer to note 12 for more information on the restatements.

3 Other expenses consists of the following line items on the income statement: depreciation, amortisation and impairment expenses, employee benefit expenses, sales remuneration and other expenses.

4 Operating profit/(loss) is normalised headline earnings gross of tax less investment return.

5 Basis changes and investment variances are included in normalised headline earnings and are net of tax. The reported numbers represent basis changes on in-force covered business and investment variances that are aligned with embedded value reporting.

Notes to the summarised audited annual financial statements continued

NOTE 2.1

CHANGE IN NORMALISED HEADLINE EARNINGS

	Notes	Change %	12 mths to 30.06.2023 Rm	12 mths to 30.06.2022 Rm
Momentum Life		74	1 935	1 110
Momentum Investments		(4)	904	938
Metropolitan Life		(54)	307	672
Momentum Corporate		13	1 330	1 174
Momentum Metropolitan Health		39	290	209
Non-life Insurance		(50)	232	461
Momentum Metropolitan Africa		>100	596	118
Normalised headline earnings from operating segments		19	5 594	4 682
New Initiatives		8	(428)	(466)
Shareholders		<(100)	(87)	167
Total normalised headline earnings	2	16	5 079	4 383

NOTE 2.2
SEGMENTAL ANALYSIS

	Notes	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm	Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Share-holders Rm	Total Rm
12 mths to 30.06.2023											
Covered											
Protection		1 432	–	131	900	–	–	578	–	–	3 041
Long-term savings		165	(42)	(14)	169	–	–	(20)	–	–	258
Annuities and structured products		–	549	72	141	–	–	99	–	–	861
Traditional		256	–	67	–	–	–	(3)	–	–	320
Other[1]		60	(13)	(21)	(22)	–	–	6	–	(161)	(151)
Investment return		102	142	70	142	–	–	80	–	210	746
Total	2	2 015	636	305	1 330	–	–	740	–	49	5 075
Non-covered											
Investment and savings	2.2.1	–	242	–	–	–	–	–	–	–	242
Life insurance		–	–	–	–	–	–	(57)	–	–	(57)
Health	2.2.2	–	–	–	–	287	–	(1)	–	–	286
Momentum Multiply		(77)	–	–	–	–	–	–	–	–	(77)
Non-life insurance	2.2.3	–	–	–	–	–	(341)	20	–	–	(321)
Cell captives	2.2.3	–	–	–	–	–	529	–	–	–	529
Holding company expenses		–	–	–	–	–	–	(104)	–	(138)	(242)
New Initiatives India	2.2.4	–	–	–	–	–	–	–	(251)	–	(251)
Other[2]		(12)	–	2	–	–	–	(10)	(187)	188	(19)
Investment return		9	26	–	–	3	44	8	10	(186)	(86)
Total	2	(80)	268	2	–	290	232	(144)	(428)	(136)	4
Normalised headline earnings		1 935	904	307	1 330	290	232	596	(428)	(87)	5 079

[1] Included in Other are once-off items that are not linked to a specific product as well as earnings that are not policyholder related.
[2] Included in Other is mainly Momentum Money as well as earnings that are not policyholder related.

NOTE 2.2 CONTINUED

SEGMENTAL ANALYSIS CONTINUED

	Notes	Momentum Life Rm	Momentum Investments Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Health Rm	Non-life Insurance Rm	Momentum Metropolitan Africa Rm	New Initiatives Rm	Share-holders Rm	Total Rm
12 mths to 30.06.2022											
Covered											
Protection		749	–	214	759	–	–	5	–	–	1 727
Long-term savings		159	(17)	201	314	–	–	157	–	–	814
Annuities and structured products		–	641	166	34	–	–	55	–	–	896
Traditional		126	–	38	–	–	–	(6)	–	–	158
Other[1]		1	(4)	(15)	(60)	–	–	(43)	–	53	(68)
Investment return		129	60	66	125	–	–	34	–	(70)	344
Total	2	1 164	680	670	1 172	–	–	202	–	(17)	3 871
Non-covered											
Investment and savings	2.2.1	–	249	–	–	–	–	–	–	–	249
Life insurance		–	–	–	–	–	–	(23)	–	–	(23)
Health	2.2.2	–	–	–	–	212	–	20	–	–	232
Momentum Multiply		(50)	–	–	–	–	–	–	–	–	(50)
Non-life insurance	2.2.3	–	–	–	–	–	(9)	(32)	–	–	(41)
Cell captives	2.2.3	–	–	–	–	–	408	–	–	–	408
Holding company expenses		–	–	–	–	–	–	(125)	–	(206)	(331)
New initiatives India	2.2.4	–	–	–	–	–	–	–	(338)	–	(338)
New initiatives aYo		–	–	–	–	–	–	–	(1)	–	(1)
Other[2]		(9)	1	2	2	–	–	–	(129)	(136)	(269)
Investment return		5	8	–	–	(3)	62	76	2	526	676
Total	2	(54)	258	2	2	209	461	(84)	(466)	184	512
Normalised headline earnings		1 110	938	672	1 174	209	461	118	(466)	167	4 383

[1] Included in Other are once-off items that are not linked to a specific product as well as earnings that are not policyholder related.

[2] Included in Other is mainly Momentum Money as well as earnings that are not policyholder related.

NOTE 2.2.1

MOMENTUM INVESTMENTS – NON-COVERED BUSINESS

	Notes	12 mths to 30.06.2023 Rm	12 mths to 30.06.2022 Rm
Revenue		**1 832**	1 714
Fee income		**1 742**	1 645
Investment income		**70**	53
Fair value gains		**20**	16
Expenses and finance costs		**(1 514)**	(1 428)
Other expenses		**(1 465)**	(1 391)
Finance costs		**(49)**	(37)
Share of profit of associates		**32**	37
Profit before tax		**350**	323
Income tax expense		**(72)**	(60)
Non-controlling interest		**(10)**	(5)
Normalised headline earnings		**268**	258
Operating profit before tax	2.2	**309**	309
Tax on operating profit	2.2	**(67)**	(60)
Investment return		**27**	10
Tax on investment return		**(1)**	(1)
Normalised headline earnings		**268**	258

Notes to the summarised audited annual financial statements continued

NOTE 2.2.2

HEALTH – NON-COVERED BUSINESS

	Notes	Momentum Metropolitan Health Rm	Momentum Metropolitan Africa Rm	Total Rm
12 mths to 30.06.2023				
Revenue		3 812	738	4 550
Net insurance premiums		1 258	724	1 982
Fee income		2 481	–	2 481
Investment income		62	14	76
Intergroup fees		11	–	11
Expenses and finance costs		(3 312)	(761)	(4 073)
Net payments to contract holders		(810)	(562)	(1 372)
Change in actuarial liabilities		13	–	13
Other expenses		(2 512)	(199)	(2 711)
Finance costs		(3)	–	(3)
Share of profit of associates		23	28	51
Profit before tax		523	5	528
Income tax expense		(136)	(9)	(145)
Non-controlling interest		(97)	14	(83)
Normalised headline earnings		290	10	300
Operating profit before tax	2.2	397	4	401
Tax on operating profit	2.2	(110)	(5)	(115)
Investment return		4	14	18
Tax on investment return		(1)	(3)	(4)
Normalised headline earnings		290	10	300
Closed schemes		60	10	70
Open scheme		154	–	154
Other		76	–	76
		290	10	300

	Principal members	Lives
Momentum Metropolitan Health principal members	1 240 225	
Momentum Metropolitan Africa lives		417 159

NOTE 2.2.2 CONTINUED

HEALTH – NON-COVERED BUSINESS CONTINUED

	Notes	Momentum Metropolitan Health Rm	Momentum Metropolitan Africa Rm	Total Rm
12 mths to 30.06.2022				
Revenue		3 482	596	4 078
Net insurance premiums		1 186	571	1 757
Fee income		2 263	2	2 265
Investment income		18	23	41
Intergroup fees		15	–	15
Expenses and finance costs		(3 067)	(583)	(3 650)
Net payments to contract holders		(724)	(434)	(1 158)
Change in actuarial liabilities		1	–	1
Other expenses		(2 341)	(149)	(2 490)
Finance costs		(3)	–	(3)
Share of profit of associates		12	26	38
Profit before tax		427	39	466
Income tax expense		(116)	(4)	(120)
Non-controlling interest		(102)	1	(101)
Normalised headline earnings		209	36	245
Operating profit before tax	2.2	295	20	315
Tax on operating profit	2.2	(83)	–	(83)
Investment return		(4)	21	17
Tax on investment return		1	(5)	(4)
Normalised headline earnings		209	36	245
Closed schemes		24	36	60
Open scheme		104	–	104
Other		81	–	81
		209	36	245

	Principal members	Lives
Momentum Metropolitan Health principal members	1 184 094	
Momentum Metropolitan Africa lives		404 890

Notes to the summarised audited annual financial statements continued

NOTE 2.2.3

NON-LIFE INSURANCE

	Notes	Non-life business Rm	Cell captive business Rm	Momentum Metropolitan Africa Rm	Total Rm
12 mths to 30.06.2023					
Gross written premiums		3 108	–	268	3 376
Net insurance premiums		2 956	–	196	3 152
Fee income		8	1 353	75	1 436
Management fees		–	698	–	698
Investment fees		–	160	–	160
Underwriting fees		–	478	–	478
Other fee income		8	17	75	100
Investment income		117	219	77	413
Total income		3 081	1 572	348	5 001
Expenses and finance costs		(3 357)	(843)	(298)	(4 498)
Net payments to contract holders		(2 267)	–	(81)	(2 348)
Change in actuarial liabilities		–	–	(2)	(2)
Acquisition costs[1]		(293)	–	(52)	(345)
Other expenses		(797)	(823)	(163)	(1 783)
Finance costs		–	(20)	–	(20)
(Loss)/Profit before tax		(276)	729	50	503
Income tax expense		(28)	(193)	(13)	(234)
Non-controlling interest		–	–	(10)	(10)
Normalised headline earnings		(304)	536	27	259
Operating (loss)/profit before tax	2.2	(323)	729	29	435
Tax on operating (loss)/profit	2.2	(18)	(200)	(9)	(227)
Investment return		48	8	7	63
Tax on investment return		(11)	(1)	–	(12)
Normalised headline earnings		(304)	536	27	259
Momentum Insure (including Admin)		(304)	–	–	(304)
Guardrisk Group		–	536	–	536
Momentum Insurance (Namibia)		–	–	17	17
Momentum Short-term Insurance (Namibia)		–	–	10	10
Cannon Short-term		–	–	–	–
		(304)	536	27	259

[1] The acquisition costs relating to the cell captive business are included in underwriting fees.

NOTE 2.2.3 CONTINUED

NON-LIFE INSURANCE CONTINUED

	Notes	Non-life business Rm	Cell captive business Rm	Momentum Metropolitan Africa Rm	Total Rm
12 mths to 30.06.2022					
Gross written premiums		2 878	–	432	3 310
Net insurance premiums		2 753	–	344	3 097
Fee income		3	1 119	89	1 211
Management fees		–	635	–	635
Investment fees		–	79	–	79
Underwriting fees		–	399	–	399
Other fee income		3	6	89	98
Investment income		76	166	33	275
Total income		2 832	1 285	466	4 583
Expenses and finance costs		(2 913)	(688)	(462)	(4 063)
Net payments to contract holders		(1 916)	–	(185)	(2 101)
Change in actuarial liabilities		–	–	19	19
Acquisition costs[1]		(206)	–	(73)	(279)
Other expenses		(791)	(673)	(223)	(1 687)
Finance costs		–	(15)	–	(15)
(Loss)/Profit before tax		(81)	597	4	520
Income tax expense		94	(149)	(4)	(59)
Non-controlling interest		–	–	(5)	(5)
Normalised headline earnings		13	448	(5)	456
Operating (loss)/profit before tax	2.2	(111)	558	(29)	418
Tax on operating (loss)/profit	2.2	102	(150)	(3)	(51)
Investment return		31	39	27	97
Tax on investment return		(9)	1	–	(8)
Normalised headline earnings		13	448	(5)	456
Momentum Insure (including Admin)		13	–	–	13
Guardrisk Group		–	448	–	448
Momentum Insurance (Namibia)		–	–	8	8
Momentum Short-term Insurance (Namibia)		–	–	5	5
Cannon Short-term		–	–	(18)	(18)
		13	448	(5)	456

[1] The acquisition costs relating to the cell captive business are included in underwriting fees.

Notes to the summarised audited annual financial statements continued

NOTE 2.2.4

INDIA – NON-COVERED BUSINESS[1]

	Notes	12 mths to 30.06.2023 Rm	12 mths to 30.06.2022 Rm
Gross written premiums		**5 941**	3 522
Net earned premiums		**4 019**	2 426
Fee income		**31**	21
Net incurred claims		**(2 599)**	(1 688)
Total management expenses		**(1 950)**	(1 545)
Net commission expenses		**(314)**	(39)
Underwriting loss		**(813)**	(825)
Investment income		**241**	145
Operating loss		**(572)**	(680)
Investment income on excess		**98**	48
Loss before and after tax		**(474)**	(632)
MMH share of results[2]		**(225)**	(310)
Group support costs		**(40)**	(32)
Group IT and IT services		**14**	4
Normalised headline earnings	2.2	**(251)**	(338)
Number of lives		**20 853 206**	18 789 363

[1] The India results have been reported with a three-month lag.

[2] During October 2022, the Group's holding was diluted from 49% to 44.1% with the introduction of a new shareholder as a partner in the business.

NOTE 2.3

SEGMENT IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

	Notes	Total revenue in scope of IFRS 15					
		Contract admini-stration Rm	Trust and fiduciary services Rm	Health admini-stration Rm	Cell captive commission Rm	Other fee income Rm	Total fee income Rm
12 mths to 30.06.2023							
Momentum Life		**906**	**73**	**–**	**–**	**172**	**1 151**
Momentum Investments		**1 647**	**1 270**	**–**	**–**	**182**	**3 099**
Metropolitan Life		**10**	**–**	**–**	**–**	**14**	**24**
Momentum Corporate		**1 025**	**487**	**–**	**–**	**53**	**1 565**
Momentum Metropolitan Health		**1**	**–**	**2 425**	**–**	**51**	**2 477**
Non-life Insurance		**163**	**–**	**–**	**1 972**	**59**	**2 194**
Momentum Metropolitan Africa		**42**	**34**	**–**	**–**	**83**	**159**
New Initiatives		**–**	**–**	**–**	**–**	**115**	**115**
Shareholders[1]		**–**	**–**	**–**	**–**	**45**	**45**
Segmental total		**3 794**	**1 864**	**2 425**	**1 972**	**774**	**10 829**
Reconciling items		**–**	**(483)**	**–**	**–**	**3**	**(480)**
Total	2	**3 794**	**1 381**	**2 425**	**1 972**	**777**	**10 349**
12 mths to 30.06.2022							
Momentum Life		1 043	20	–	–	170	1 233
Momentum Investments		1 561	1 243	–	–	172	2 976
Metropolitan Life		–	–	–	–	70	70
Momentum Corporate		759	431	–	–	44	1 234
Momentum Metropolitan Health		–	–	2 246	–	15	2 261
Non-life Insurance		121	–	–	1 496	68	1 685
Momentum Metropolitan Africa		49	26	–	–	114	189
New Initiatives		–	–	–	–	83	83
Segmental total		3 533	1 720	2 246	1 496	736	9 731
Reconciling items		–	(468)	–	–	4	(464)
Total	2	3 533	1 252	2 246	1 496	740	9 267

[1] This relates to structuring and origination fees earned that was previously allocated to operating segments.

NOTE 2.4
SEGMENT REVENUE PER GEOGRAPHICAL BASIS

	Notes	SA Rm	Non-SA Rm	Total revenue Rm
12 mths to 30.06.2023				
Momentum Life		**11 683**	**–**	**11 683**
Momentum Investments		**39 013**	**812**	**39 825**
Metropolitan Life		**8 585**	**–**	**8 585**
Momentum Corporate		**20 270**	**–**	**20 270**
Momentum Metropolitan Health		**3 735**	**–**	**3 735**
Non-life Insurance		**16 549**	**891**	**17 440**
Momentum Metropolitan Africa		**–**	**5 070**	**5 070**
New Initiatives		**115**	**–**	**115**
Shareholders		**45**	**–**	**45**
Segmental total		**99 995**	**6 773**	**106 768**
Reconciling items		**(51 545)**	**(1 394)**	**(52 939)**
Total	2	**48 450**	**5 379**	**53 829**
12 mths to 30.06.2022				
Momentum Life		11 122	–	11 122
Momentum Investments		33 020	688	33 708
Metropolitan Life		8 309	–	8 309
Momentum Corporate		18 743	–	18 743
Momentum Metropolitan Health		3 447	–	3 447
Non-life Insurance		14 840	880	15 720
Momentum Metropolitan Africa		–	5 809	5 809
New Initiatives		83	–	83
Segmental total		89 564	7 377	96 941
Reconciling items		(47 105)	(1 676)	(48 781)
Total	2	42 459	5 701	48 160

NOTE 3
NON-CONTROLLING INTERESTS (legal percentages)

	30.06.2023 %	30.06.2022 %
Eris Property Group	**23.0**	23.1
Metropolitan Health Ghana	**15.0**	15.0
Momentum Metropolitan Namibia	**0.8**	0.8
Momentum Mozambique	**33.0**	33.0
Metropolitan Health Corporate	**29.5**	29.5
Momentum Short-term Insurance (Namibia)	**30.0**	30.0
Momentum Insurance (Namibia)	**30.0**	30.0
Momentum Health Solutions	**27.0**	27.0
Entities sold during year		
Metropolitan Cannon General Insurance	**–**	33.7
Metropolitan Cannon Life Assurance	**–**	33.7

NOTE 4

BUSINESS COMBINATIONS

JUNE 2023

Partner Risk Solutions (Pty) Ltd

On 1 July 2022, the Group, through its 100% owned subsidiary, Guardrisk Group, completed a step-up acquisition to acquire an additional 25% of the shares in Partner Risk Solutions (Pty) Ltd (PRS), resulting in the Group exercising control and thus consolidating PRS from that date. Guardrisk Group originally acquired a 26% equity share in PRS in 2019, following which the investment was equity accounted. The step-up acquisition was executed through the exercise of a call option for cash consideration of R9 million.

Crown Agents Investment Management Ltd

During March 2023, the Group, through its wholly owned subsidiary, MGIM, acquired 100% of the shares in CAIM for a purchase consideration of £2.90 million (R64 million). The purchase consideration consisted of an initial cash payment of £2.13 million (R47 million) and £0.77 million (R17 million) contingent consideration. The contingent consideration is made up of two future payments. The first contingent consideration payment is dependent upon the brand being registered by MGIM and will result in a payment of £0.12 million. If the brand is not registered the payment will be £nil. The second contingent payment is dependant on certain performance targets of new business being met. If new business is above the target, the payment will equal 20% of the difference between the actual new business amount and the target. If no targets are met, the payment will be £nil.

These acquisitions provide an opportunity for growth, which is the Group's current focus.

JUNE 2022

There were no significant business combinations for the 12 months ended June 2022.

The purchase price consideration, the net assets acquired and any relevant goodwill relating to the above transactions are as follows:

	PRS Rm	CAIM Rm	30.06.2023 Rm	30.06.2022 Rm
Purchase consideration in total	16	64	80	–
Fair value of net assets				
Intangible assets	–	17	17	–
Financial instrument assets	–	24	24	–
Insurance and other receivables	1	–	1	–
Cash and cash equivalents[1]	3	35	38	–
Other assets	–	1	1	–
Other liabilities	(1)	(17)	(18)	–
Net identifiable assets acquired	3	60	63	–
Goodwill recognised	14	4	18	–
Contingent liability payments	–	(17)	(17)	–
Previously held investment in associate derecognised	(7)	–	(7)	–
NCI recognised	(1)	–	(1)	–
Purchase consideration in cash[1]	9	47	56	–
Revenue since acquisition	11	18	29	–
Earnings since acquisition	1	1	2	–

[1] Net cash outflow of R18 million relating to the purchase of subsidiaries is made up of negative R56 million relating to the purchase consideration in cash and positive R38 million relating to cash and cash equivalents recognised as part of the net assets acquired.

The above acquisitions resulted in a total of R18 million goodwill being recognised attributable to certain anticipated operating synergies. The goodwill is not deductible for tax purposes. If the acquisitions was made on 1 July 2022, additional revenue of R56 million and loss after tax of R5 million would have been recognised.

NOTE 5

GOODWILL

	30.06.2023 Rm	Restated 30.06.2022[1] Rm
Cost	**3 036**	2 969
Accumulated impairment	**(1 672)**	(1 194)
Balance at end	**1 364**	1 775
Balance at beginning	**1 775**	2 489
Business combinations	**18**	1
Impairment charges[2]	**(478)**	(717)
Exchange differences	**49**	2
Balance at end	**1 364**	1 775

1 Balance has been restated to align with annual financial statements.

2 R478 million (2022: R707 million) impairment relates to the goodwill recognised as part of the acquisition of the Alexander Forbes Short-term Insurance business (Non-life Insurance segment). The business was subsequently integrated with Momentum Short-term Insurance and referred to as Momentum Insure. The impairment is a consequence of a revision to the five-year earnings forecast that reflects a weaker medium-term growth outlook. This follows a challenging year in terms of claims experience, which will take some time to normalise. The remaining goodwill balance after the impairment was Rnil (2022: R478 million).

NOTE 6

FINANCE COSTS

	30.06.2023 Rm	30.06.2022 Rm
Cost of trading positions	**1 298**	1 286
Subordinated debt	**383**	345
Cost of carry positions	**422**	347
Redeemable preference shares	**188**	145
Other finance costs	**265**	204
Total	**2 556**	2 327

NOTE 7

SIGNIFICANT RELATED PARTY TRANSACTIONS

In the prior year R140 million of the ordinary dividends declared in March 2022 were attributable to RMI. As a result of RMI unbundling its shareholding in MMH on 25 April 2022, RMI is no longer a related party as of that date.

NOTE 8

DISPOSAL OF SUBSIDIARIES

	30.06.2023 Rm	30.06.2022 Rm
Assets/(liabilities) disposed of:		
Financial assets at FVPL	**309**	–
Investment properties	**122**	–
Cash and cash equivalents	**29**	–
Other assets	**287**	–
Life insurance contracts	**(78)**	–
Investment contracts designated at FVPL	**(86)**	–
Other liabilities	**(442)**	–
Net assets sold	**141**	–
Non-controlling interests disposed of	**(29)**	–
Loss on sale of subsidiaries	**(112)**	–
Cash flow from sale of subsidiaries	**–**	–

In the current year, the Group disposed of its shareholdings in Metropolitan Cannon Life Assurance Ltd and Metropolitan Cannon General Insurance Ltd.

NOTE 9

OTHER RESERVES

	30.06.2023 Rm	Restated 30.06.2022[1] Rm
Land and building revaluation reserve	**330**	311
FCTR	**414**	(60)
Non-distributable reserve	**78**	73
Employee benefit revaluation reserve	**64**	23
Fair value adjustment for preference shares issued by MMH	**940**	940
Equity-settled share-based payment arrangements	**174**	122
Total	**2 000**	1 409

[1] Refer to note 12 for more information on the restatements.

NOTE 10

DIVIDENDS

	2023	2022
Ordinary listed MMH shares (cents per share)		
Interim – March	**50**	35
Final – September	**70**	65
Total	**120**	100

MMH convertible redeemable preference shares (issued to KTH)

The A3 MMH preference shares were redeemable on 30 November 2022 at a redemption value of R9.18 per share unless converted into MMH ordinary shares on a one-for-one basis prior to that date. The preference shares were not redeemed on 30 November 2022 and an extension was entered into in the current year, for a further 10 months until 30 September 2023. The ordinary shares were originally issued at a price of R10.18 per share. Dividends are payable on the remaining preference shares at 132 cents per annum (payable March and September). MMH subscribed for a cumulative, redeemable preference share in Off The Shelf Investments 108 (Pty) Ltd (a subsidiary of KTH) which is linked to the A3 preference shares acquired in 2011. The dividends on the Off The Shelf Investments preference share aligns the A3 preference share dividend to the ordinary dividends.

A3 MMH preference share dividends – KTH	2023 Rm	2022 Rm
Interim – March	**19**	19
Final – September	**19**	19
Total	**38**	38

NOTE 11

FINANCIAL INSTRUMENTS SUMMARISED BY MEASUREMENT CATEGORY IN TERMS OF IFRS 9

	FVPL					
	Mandatorily Rm	Designated[1] Rm	Total fair value Rm	Amortised cost Rm	Not in scope of IFRS 9 Rm	Total Rm
30.06.2023						
Unit-linked investments	216 300	–	216 300	–	–	216 300
Debt securities	40 495	142 154	182 649	305	–	182 954
Equity securities[2]	114 352	–	114 352	–	–	114 352
Carry positions	–	56	56	–	–	56
Funds on deposit and other money market instruments	15 814	17 881	33 695	181	–	33 876
Derivative financial assets	2 345	–	2 345	–	–	2 345
Financial assets at amortised cost	–	–	–	8 806	–	8 806
Insurance and other receivables (excluding accelerated rental and prepayments)	–	–	–	–	5 833	5 833
Cash and cash equivalents	–	–	–	35 013	–	35 013
Total financial assets	389 306	160 091	549 397	44 305	5 833	599 535
Investment contracts with DPF	–	–	–	–	3 267	3 267
Investment contracts designated at FVPL	–	373 927	373 927	–	–	373 927
CIS liabilities	–	27 683	27 683	–	–	27 683
Subordinated call notes	–	4 300	4 300	–	–	4 300
Carry positions	–	9 080	9 080	–	–	9 080
Preference shares	–	366	366	–	–	366
Derivative financial liabilities	3 336	–	3 336	–	–	3 336
Other borrowings	3	62	65	–	–	65
Financial liabilities at amortised cost	–	–	–	3 770	199	3 969
Other payables (excluding premiums in advance and deferred revenue liability)	–	–	–	12 725	6 954	19 679
Total financial liabilities	3 339	415 418	418 757	16 495	10 420	445 672

1 Assets designated at fair value mainly consists of policyholder assets which back policyholder liabilities which are carried at FVPL. The amount of change, during the period and cumulatively, in the fair value of financial assets designated at FVPL that is attributable to changes in the credit risk of the financial asset is determined as the change triggered by factors other than changes in the benchmark rate. The impact of the changes in credit risk for the current and prior periods are immaterial.

2 Equity securities are classified as FVPL at inception.

Notes to the summarised audited annual financial statements continued

NOTE 11 CONTINUED

FINANCIAL INSTRUMENTS SUMMARISED BY MEASUREMENT CATEGORY IN TERMS OF IFRS 9 CONTINUED

	FVPL					
	Mandatorily Rm	Designated[1] Rm	Total fair value Rm	Amortised cost Rm	Not in scope of IFRS 9 Rm	Total Rm
Restated 30.06.2022[2]						
Unit-linked investments	184 886	–	184 886	–	–	184 886
Debt securities[3]	45 401	129 447	174 848	481	–	175 329
Equity securities[4]	96 646	–	96 646	–	–	96 646
Carry positions	–	1 124	1 124	–	–	1 124
Funds on deposit and other money market instruments[3]	13 427	16 666	30 093	263	–	30 356
Derivative financial assets	1 914	–	1 914	–	–	1 914
Financial assets at amortised cost	–	–	–	7 991	–	7 991
Insurance and other receivables (excluding accelerated rental and prepayments)	–	–	–	–	6 917	6 917
Cash and cash equivalents	–	–	–	28 720	–	28 720
Total financial assets	342 274	147 237	489 511	37 455	6 917	533 883
Investment contracts with DPF	–	–	–	–	2 994	2 994
Investment contracts designated at FVPL	–	318 615	318 615	–	–	318 615
CIS liabilities	–	30 782	30 782	–	–	30 782
Subordinated call notes	–	5 327	5 327	–	–	5 327
Carry positions	–	7 723	7 723	–	–	7 723
Preference shares	–	337	337	–	–	337
Derivative financial liabilities	3 039	–	3 039	–	–	3 039
Other borrowings	878	55	933	–	–	933
Financial liabilities at amortised cost	–	–	–	4 148	188	4 336
Other payables (excluding premiums in advance and deferred revenue liability)	–	–	–	10 894	6 953	17 847
Total financial liabilities	3 917	362 839	366 756	15 042	10 135	391 933

1 Assets designated at fair value mainly consists of policyholder assets which back policyholder liabilities which are carried at FVPL. The amount of change, during the year and cumulatively, in the fair value of financial assets designated at FVPL that is attributable to changes in the credit risk of the financial asset is determined as the change triggered by factors other than changes in the benchmark rate.

2 Refer to note 12 for more information on the restatements except for those disclosed in footnote 3.

3 Upon further investigation it was concluded that Funds on deposit and other money market instruments designated at FVPL of R67 million should have been classified as Debt securities designated at FVPL. June 2022 has been restated accordingly.

4 Equity securities are classified as FVPL at inception.

NOTE 11.1

FINANCIAL INSTRUMENTS FAIR VALUE HIERARCHY

The different valuation method levels have been defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).
- **Level 3:** Input for the asset or liability that is not based on observable market data (unobservable input).

FINANCIAL ASSETS

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
30.06.2023				
Securities at FVPL	386 882	156 605	5 910	549 397
Unit-linked investments				
CISs[1]				
Local unlisted or listed quoted	126 990	1 525	–	128 515
Local unlisted unquoted	–	98	–	98
Foreign unlisted or listed quoted	69 729	361	66	70 156
Foreign unlisted unquoted	–	1 645	43	1 688
Other unit-linked investments				
Local unlisted or listed quoted	3 615	–	–	3 615
Local unlisted unquoted	–	7 880	2 621	10 501
Foreign unlisted or listed quoted	469	–	–	469
Foreign unlisted unquoted	–	20	1 238	1 258
Debt securities				
Stock and loans to government and other public bodies				
Local listed	69 911	8 819	–	78 730
Foreign listed	2 722	4 697	–	7 419
Unlisted	–	4 236	1 449	5 685
Other debt instruments				
Local listed	–	42 003	43	42 046
Foreign listed	36	9 499	64	9 599
Unlisted	–	39 123	47	39 170
Equity securities				
Local listed	68 688	–	2	68 690
Foreign listed	44 639	772	36	45 447
Unlisted	–	38	177	215
Funds on deposit and other money market instruments	6	33 689	–	33 695
Carry positions	–	56	–	56
Derivative financial assets – held for trading	77	2 144	124	2 345
	386 882	156 605	5 910	549 397

[1] CISs are classified as level 1 when there is an active market of transactions between investors and CISs based on a published price.

There were no significant transfers between level 1 and 2 assets for the current and prior years.

Notes to the summarised audited annual financial statements continued

NOTE 11.1 CONTINUED

FINANCIAL INSTRUMENTS FAIR VALUE HIERARCHY CONTINUED

FINANCIAL ASSETS CONTINUED

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Restated 30.06.2022				
Securities at FVPL	338 720	144 603	6 188	489 511
Unit-linked investments				
CISs[1]				
Local unlisted or listed quoted[2]	113 653	1 214	–	114 867
Local unlisted unquoted	–	16	–	16
Foreign unlisted or listed quoted[3]	53 273	270	55	53 598
Foreign unlisted unquoted[3]	–	1 901	58	1 959
Other unit-linked investments				
Local unlisted or listed quoted[2]	3 555	1	–	3 556
Local unlisted unquoted[2, 4]	–	6 635	2 652	9 287
Foreign unlisted or listed quoted[5]	204	–	–	204
Foreign unlisted unquoted[4, 5]	259	96	1 044	1 399
Debt securities				
Stock and loans to government and other public bodies				
Local listed[6]	70 362	10 785	1	81 148
Foreign listed[6]	1 590	3 656	2	5 248
Unlisted[7]	–	3 650	1 371	5 021
Other debt instruments				
Local listed[6, 7, 8]	1	38 798	3	38 802
Foreign listed[6, 7]	10	8 037	64	8 111
Unlisted[6, 7]	–	36 057	461	36 518
Equity securities				
Local listed	60 522	3	1	60 526
Foreign listed	35 221	567	146	35 934
Unlisted	–	27	159	186
Funds on deposit and other money market instruments[8]	–	30 093	–	30 093
Carry positions	–	1 124	–	1 124
Derivative financial assets – held for trading	70	1 673	171	1 914
	338 720	144 603	6 188	489 511

1 CISs are classified as level 1 when there is an active market of transactions between investors and CISs based on a published price.

2 R206 million was inappropriately classified as CIS Local unlisted or listed quoted included in level 1, of which R191 million should have been classified as Other unit-linked investments Local unlisted or listed quoted included in level 1 and R15 million should have been classified as Other unit-linked investments Local unlisted unquoted included in level 2. June 2022 has been restated accordingly.

3 CISs of R372 million was incorrectly classified as Foreign unlisted or listed quoted included in level 1 and should have been classified as Foreign unlisted unquoted included in level 2. June 2022 has been restated accordingly.

4 Other unit-linked investments of R480 million was incorrectly classified as Local unlisted unquoted included in level 3 and should have been classified as Foreign unlisted unquoted included in level 3. June 2022 has been restated accordingly.

5 Upon further interrogation it was noted that R259 million Foreign unlisted or listed quoted Other unit-linked investments included in level 1 was inappropriately classified as such and should have been classified as Foreign unlisted unquoted Other unit-linked investments included in level 1. June 2022 has been restated accordingly.

6 When an inward listed instrument is deemed foreign by the SARB, the Group will classify it as foreign for IFRS reporting purposes. In 2020, the SARB issued a circular that deemed all inward listed debt as local whereas previously this was deemed to be foreign. The SARB has subsequently reissued a final circular in February 2022 following industry engagement deeming all inward listed debt type instruments to be foreign. The Group has therefore restated the June 2022 figures accordingly to consistently treat all inward listed debt type instruments as foreign. Therefore, R4 538 million Other debt instruments previously classified as Local listed has been appropriately classified as Foreign listed and R4 million Stock and Loans to government and other public bodies previously classified as Local listed has been appropriately classified as Foreign listed. This treatment is in accordance with the SARB February 2022 circular.

7 Upon further investigation it was concluded that R563 million was incorrectly classified as Other debt instruments Local listed included in level 2, of which:

- R218 million should have been classified as Other debt instruments Foreign listed included in level 2;
- R340 million should have been classified as Other debt instruments Unlisted included in level 2; and
- R5 million should have been classified as Other debt instruments Unlisted included in level 3.

June 2022 has been restated accordingly.

8 Further investigation noted that R62 million included in Funds on deposit and other money market instruments level 2 and R5 million included in Funds on deposit and other money market instruments level 3, totalling R67 million, should have been classified as Other debt instruments level 2. June 2022 has been restated accordingly.

There were no significant transfers in and out of level 1 and 2 respectively in the prior year.

NOTE 11.1 CONTINUED

FINANCIAL INSTRUMENTS FAIR VALUE HIERARCHY CONTINUED

FINANCIAL LIABILITIES

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
30.06.2023				
Investment contracts designated at FVPL	–	373 916	11	373 927
Financial liabilities at FVPL	27 714	16 776	340	44 830
CIS liabilities	27 671	–	12	27 683
Subordinated call notes	–	4 300	–	4 300
Carry positions	–	9 080	–	9 080
Preference shares	–	56	310	366
Derivative financial liabilities – held for trading	2	3 334	–	3 336
Other borrowings	41	6	18	65
	27 714	390 692	351	418 757
30.06.2022				
Investment contracts designated at FVPL	–	318 605	10	318 615
Financial liabilities at FVPL	31 577	16 142	422	48 141
CIS liabilities	30 768	–	14	30 782
Subordinated call notes	–	5 327	–	5 327
Carry positions	–	7 723	–	7 723
Preference shares	–	43	294	337
Derivative financial liabilities – held for trading	3	3 036	–	3 039
Other borrowings	806	13	114	933
	31 577	334 747	432	366 756

There were no significant transfers between level 1 and level 2 liabilities for the current and prior years.

Notes to the summarised audited annual financial statements continued

NOTE 11.2

FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS

	At FVPL					
	Unit-linked investments Rm	Debt securities Rm	Equity securities Rm	Funds on deposit and other money market instruments Rm	Derivative financial assets Rm	Total Rm
12 mths to 30.06.2023						
Opening balance	**3 809**	**1 902**	**306**	**–**	**171**	**6 188**
Total gains/(losses) in net realised and unrealised fair value gains in the income statement						
Realised gains/(losses)	**26**	**29**	**(56)**	**–**	**–**	**(1)**
Unrealised gains/(losses)	**292**	**(13)**	**49**	**–**	**(74)**	**254**
Foreign exchange adjustments	**10**	**–**	**4**	**–**	**27**	**41**
Accrued interest in investment income in the income statement	**–**	**64**	**–**	**–**	**–**	**64**
Purchases	**479**	**485**	**59**	**–**	**–**	**1 023**
Sales	**(611)**	**(827)**	**(32)**	**–**	**–**	**(1 470)**
Settlements	**(37)**	**(147)**	**–**	**–**	**–**	**(184)**
Transfers into level 3 from level 1	**–**	**–**	**1**	**–**	**–**	**1**
Transfers into level 3 from level 2[1]	**–**	**116**	**7**	**–**	**–**	**123**
Transfers out to level 2[2]	**–**	**(6)**	**(123)**	**–**	**–**	**(129)**
Closing balance	**3 968**	**1 603**	**215**	**–**	**124**	**5 910**
Restated 12 mths to 30.06.2022[3]						
Opening balance	2 992	1 978	234	–	178	5 382
Total gains/(losses) in net realised and unrealised fair value gains in the income statement						
Realised gains/(losses)	107	17	(49)	–	–	75
Unrealised gains/(losses)	998	(39)	39	–	3	1 001
Foreign exchange adjustments	(3)	–	1	–	2	–
Accrued interest in investment income in the income statement	–	56	–	–	–	56
Other	(4)	(3)	–	–	–	(7)
Purchases	459	865	176	–	–	1 500
Sales	(284)	(917)	(133)	–	–	(1 334)
Settlements	(464)	(68)	–	–	(12)	(544)
Transfers into level 3 from level 2	8	13	69	–	–	90
Transfers out to level 2[2]	–	–	(31)	–	–	(31)
Closing balance	3 809	1 902	306	–	171	6 188

1 Debt securities (R116 million) were transferred from level 2 to level 3 as the instrument's price was stale for more than 30 days. This is as a result of the debt crisis in Ghana.

2 Transfers out to level 2 relates mainly to assets with inputs to valuation techniques that are no longer stale.

3 R5 million was incorrectly classified as Funds on deposit and other money market instruments and should have been classified as Debt securities. June 2022 has been restated accordingly.

Transfers in and out of level 3 are deemed to have occurred at inception of reporting period at fair value.

NOTE 11.2 CONTINUED

SENSITIVITY OF SIGNIFICANT LEVEL 3 FINANCIAL ASSETS MEASURED AT FAIR VALUE TO CHANGES IN KEY ASSUMPTIONS

	At FVPL	
	Unit-linked investments Rm	Debt securities Rm
30.06.2023		
Carrying amount	**3 968**	**1 603**
Assumption change	**10% increase/ (decrease) in unit price**	**1% increase/ (decrease) in discount rates**
Effect of increase in assumption	**397**	**(12)**
Effect of decrease in assumption	**(397)**	**16**
Restated 30.06.2022[1, 2]		
Carrying amount	3 809	1 902
Assumption change	10% increase/ (decrease) in unit price	1% increase/ (decrease) in discount rates
Effect of increase in assumption	381	(19)
Effect of decrease in assumption	(381)	20

1 The assumption changes were not applied to certain Debt securities which resulted in an increase and decrease of R8 million respectively. June 2022 has been restated accordingly.

2 Upon further investigation, it was noted that there was an elimination that was not appropriately reflected in the sensitivity analysis. This resulted in an increase and decrease of R15 million respectively. June 2022 has been restated accordingly.

NOTE 11.3

FAIR VALUE OF LEVEL 3 FINANCIAL LIABILITIES

	At FVPL				
	Investment contracts designated at FVPL Rm	CIS liabilities Rm	Preference shares Rm	Other borrowings Rm	Total Rm
12 mths to 30.06.2023					
Opening balance	**10**	**14**	**294**	**114**	**432**
Business combinations	**–**	**–**	**–**	**17**	**17**
Total losses/(gains) in net realised and unrealised fair value gains in the income statement					
Realised gains	**(2)**	**–**	**–**	**(22)**	**(24)**
Unrealised losses/(gains)	**3**	**(4)**	**16**	**–**	**15**
Issues	**–**	**2**	**–**	**–**	**2**
Lapsed unexercised	**–**	**–**	**–**	**(94)**	**(94)**
Exchange differences	**–**	**–**	**–**	**3**	**3**
Closing balance	**11**	**12**	**310**	**18**	**351**
12 mths to 30.06.2022					
Opening balance	23	18	313	201	555
Total gains in net realised and unrealised fair value gains in the income statement					
Unrealised gains	(2)	(1)	(13)	(61)	(77)
Issues	–	4	–	35	39
Sales	–	(4)	–	–	(4)
Settlements	–	(3)	(6)	(64)	(73)
Contract holder movements					
Benefits paid	(11)	–	–	–	(11)
Exchange differences	–	–	–	3	3
Closing balance	10	14	294	114	432

Notes to the summarised audited annual financial statements continued

NOTE 11.3 CONTINUED

FAIR VALUE OF LEVEL 3 FINANCIAL LIABILITIES CONTINUED

Sensitivity: The final calculation of the deferred consideration payable by MGIM as a result of the initial acquisition of Seneca Investment Managers Ltd has been valued at Rnil during the current year as a result of the remaining criteria for payment not being met. In the prior year, increasing/decreasing the assets under management growth rate by 10% would decrease/increase the carrying amount of the contingent consideration, included in Other borrowings, in level 3 by R1.1 million and R1.1 million respectively. In respect of the contingent consideration recognised as a result of the acquisition in the current year, increasing/decreasing the assets under management growth rate by 0.18% would decrease/increase the carrying amount of the contingent consideration, included in Other borrowings, in level 3 by R1.5 million and R1.5 million respectively.

NOTE 11.4

VALUATION TECHNIQUES

Group's valuation processes

The Group's in-house valuation experts perform the valuations of financial assets required for financial reporting purposes. Discussions of valuation processes and results are held at least bi-annually, in line with the Group's bi-annual reporting dates.

Critical accounting estimates and judgements

For venture capital fund investments that are classified as unit-linked investments, the Group applies the International Private Equity and Venture Capital (IPEV) valuation guidelines, which have been prepared with the goal that the derived fair value measurements are compliant with IFRS. The IPEV guidelines allow for adjustments post the valuation date for uncertainty related to time elapsing between the measurement dates of the fund manager and the investor, changes in market dynamics or other economic conditions, and facts or circumstances that may impact the valuation of start-up businesses. Management applies judgement if an adjustment is needed for any of these reasons.

NOTE 11.4 CONTINUED

VALUATION TECHNIQUES CONTINUED

Critical accounting estimates and judgements continued

The following are the methods and assumptions for determining the fair value when a valuation technique is used in respect of instruments classified as level 2.

Instrument	Valuation basis	Main assumptions
Equities and similar securities		
– Listed, local and foreign	Discounted cash flow (DCF), earnings multiple, published prices	Cost of capital, earnings multiple, consumer price index, budgets, cash flow forecasts
Stock and loans to other public bodies		
– Listed, local	Published yield of benchmark bond	Nominal bond curve, swap curve, credit spread, real bond curve, inflation curve, money market curve
	Published price quotation	Nominal bond curve, swap curve, credit spread, real bond curve, inflation curve
– Listed, foreign	Published price quotation	Nominal bond curve, credit spread, currency rates
– Unlisted	DCF	Nominal bond curve, swap curve, real bond curve, consumer price index, credit spread
Other debt securities		
– Listed, local	Published prices, DCF	Nominal bond curve, real bond curve, swap curve, consumer price index, credit spread, JIBAR rate, yield curve, issue spread, money market curve
– Listed, foreign	Published prices, DCF	Nominal bond curve, credit spread, currency rates
– Unlisted	DCF	Nominal bond curve, swap curve, real bond curve, consumer price index, credit spread, currency rates, issue spread, money market curve, graded non-convertible debenture quotes
	DCF, Black-Scholes model	Yield curves, discount rates, volatilities
Funds on deposit and other money market instruments		
– Listed	DCF	Money market curve, swap curve, issue spread
	Published prices	Money market curve, credit spread
	Published yield of benchmark bond	Money market curve, credit spread
– Unlisted	DCF	Money market curve, nominal bond curve, swap curve, credit spread, inflation curve
Unit-linked investments	Adjusted NAV or NAV	Underlying asset and liability values
Derivative assets and liabilities	Black-Scholes model (European options), binomial tree (American/Bermudan options), DCF	Nominal bond curve, swap curve, real bond curve, consumer price index, credit spread, volatility, forward equity, currency rates
Subordinated call notes (Liability)	Published yield quotations	Nominal bond curve, real bond curve
Carry position assets and liabilities	DCF	Nominal bond curve, repo rates
Investment contracts designated at FVPL	Asset and liability matching method	Asset value

There were no significant changes in the valuation methods applied since the prior year.

NOTE 11.4 CONTINUED

VALUATION TECHNIQUES CONTINUED

Critical accounting estimates and judgements continued

Information about fair value measurements using significant unobservable inputs for instruments classified as level 3

Financial assets	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Securities at FVPL				
Equity securities				
– Foreign listed	Published prices	Adjustments for low liquidity or inactivity	Liquidity discount: 0% to 30% (2022: 0% to 30%)	The higher the liquidity discount rate, the lower the fair value
– Unlisted	NAV	Underlying property valuations impacted by capitalisation rates, vacancy rates and potential capitalisation of project costs	Could vary significantly based on the value of the underlying properties[1]	The higher the capitalisation rate the lower the value of the property and the fair value. The higher the vacancy rate the lower the value of the property and the fair value[1]
	Adjusted NAV or NAV	Price per unit	Could vary significantly based on the assets and liabilities held by the investee[1]	The higher the NAV, the greater the fair value[1]
	DCF	Discount rate	Multiple unobservable inputs[1]	The higher the discount rate, the lower the fair value of the assets
Debt securities				
Stock and loans to government and other public bodies				
– Unlisted	DCF	Discount rate	8.00% to 13.07% (2022: 8.00% to 13.07%)	The higher the discount rate, the lower the fair value of the assets
– Listed	Published prices	Adjustments for recoverability and credit risk determined by collection rates of performing and non-performing loans	Multiple unobservable inputs[1]	The lower the collection rates, the lower the fair value
Other debt instruments				
– Unlisted	DCF, Black-Scholes model	Discount rate, volatilities, yield curve	Multiple unobservable inputs[1]	Could vary significantly based on multiple inputs[1]. The higher the discount rate, the lower the fair value of the assets. A normal yield curve will result in a high fair value and a downward-sloping curve will result in lower fair values
	DCF	Discount rate	10.45% to 15.65% (2022: 9.90% to 11.19%); 9.37% to 16.00% (2022: 6.41% to 17.92%)	
	Last quoted price multiplied by number of units held	Price per unit	78c (2022: 78c)	The higher the price per unit, the higher the fair value
Unit-linked investments				
CISs				
– Foreign unlisted unquoted	Unit price of underlying assets/ liabilities multiplied by number of units held	Price per unit	Could vary significantly based on the assets and liabilities held by the investee[1]	The higher the NAV, the greater the fair value[1]

[1] Quantitative information is not readily available as quantitative unobservable inputs are not developed by the Group.

NOTE 11.4 CONTINUED

VALUATION TECHNIQUES CONTINUED

Critical accounting estimates and judgements continued

Financial assets	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Securities at FVPL continued				
Other unit-linked investments				
– Local unlisted unquoted	Adjusted NAV or NAV	Price per unit	Could vary significantly due to range of holdings[1]	The higher the price per unit, the higher the fair value[1]
	Adjusted NAV or NAV	Underlying investment valuations impacted by funding rounds, market dynamics, economic conditions and internal business metrics. Management applies judgement if an adjustment is required due to changes in market dynamics, economic conditions and internal business metrics.	Could vary significantly due to range of holdings[1]	The fair value varies based on any changes to the underlying investment valuations and judgemental adjustments applied by management
– Foreign unlisted unquoted	Adjusted NAV or NAV	Price per unit	Could vary significantly due to range of holdings[1]	The higher the price per unit, the higher the fair value[1]
	Adjusted NAV or NAV	Underlying investment valuations impacted by funding rounds, market dynamics, economic conditions and internal business metrics. Management applies judgement if an adjustment is required due to changes in market dynamics, economic conditions and internal business metrics.	Could vary significantly due to range of holdings[1]	The fair value varies based on any changes to the underlying investment valuations and judgemental adjustments applied by management
Derivative financial assets	Adjusted NAV or NAV	Underlying investment valuations impacted by funding rounds, market dynamics, economic conditions and internal business metrics. Management applies judgement if an adjustment is required due to changes in market dynamics, economic conditions and internal business metrics.	Could vary significantly due to range of inputs[1]	The fair value varies based on any changes to the underlying investment valuations and judgemental adjustments applied by management
Financial liabilities				
Financial liabilities at FVPL				
Other borrowings	DCF	AUM growth rate	18% (30.06.2022: 3.25%)	The higher the rate, the higher the fair value
Preference shares	DCF	Discount rate	13.17% to 15.65% (30.06.2022: 3.00%)	The higher the discount rate, the lower the fair value of the liability

[1] Quantitative information is not readily available as quantitative unobservable inputs are not developed by the Group.

There were no significant changes in the valuation methods applied since the prior year.

NOTE 12
RESTATEMENTS

The following restatements were made to the consolidated statement of financial position, income statement, statement of comprehensive income and statement of cash flows:

Statement of financial position as at 30.06.2022	**Before restatement Rm**	**Carry positions[1] Rm**	**Commission correction[2] Rm**	**Investment in associate FCTR[3] Rm**	**Debtors/ creditors reclas-sification[4] Rm**	**Smooth bonus data reserve[5] Rm**	**Effective interest rate[6] Rm**	**Inter-company reinsurance arrangements[7] Rm**	**After restatement Rm**
Investments in associates and joint ventures	1 491	–	–	(44)	–	–	–	–	1 447
Financial assets at amortised cost	8 739	–	–	–	(4)	–	–	–	8 735
Reinsurance contract assets	14 976	–	–	–	(25)	–	–	(203)	14 748
Insurance and other receivables	7 739	–	–	–	60	–	–	–	7 799
Equity attributable to owners of the parent	(24 621)	–	–	44	–	–	–	–	(24 577)
Insurance contract liabilities									
Life insurance contracts	(126 233)	–	–	–	–	–	–	23	(126 210)
Investment contracts									
– with DPF	(3 031)	–	–	–	–	37	–	–	(2 994)
– designated at FVPL	(318 758)	–	–	–	–	(37)	–	180	(318 615)
Other payables	(19 567)	–	–	–	(31)	–	–	–	(19 598)
as at 01.07.2021									
Investments in associates and joint ventures	1 156	–	–	(51)	–	–	–	–	1 105
Financial assets at FVPL	471 362	(2 595)	–	–	–	–	–	–	468 767
Financial assets at amortised cost	7 968	(413)	–	–	(472)	–	–	–	7 083
Reinsurance contract assets	6 849	–	–	–	(31)	–	–	–	6 818
Insurance and other receivables	6 240	–	–	–	539	–	–	–	6 779
Equity attributable to owners of the parent	(21 575)	–	–	51	–	–	–	–	(21 524)
Financial liabilities at FVPL	(51 013)	3 008	–	–	–	–	–	–	(48 005)
Other payables	(16 967)	–	–	–	(36)	–	–	–	(17 003)

1 Trade date accounting was applied to sale and repurchase as well as reverse sale and repurchase agreements as opposed to the application of settlement date accounting as required by IFRS 9 – *Financial instruments* and required in terms of the Group's accounting policy. 1 July 2021 has been restated accordingly.

2 A reassessment was performed on Sales remuneration expenses. Certain transactions were incorrectly disclosed as Sales remuneration instead of as Other expenses. June 2022 has been restated accordingly.

3 Goodwill initially recognised and included in the carrying value of investments in associates and joint ventures related to ABHI was not treated as part of the assets of the foreign operation. As such, the Goodwill was not expressed in the functional currency of ABHI and subsequently translated to the Group's reporting currency. 30 June 2022 and 1 July 2021 have been restated accordingly.

4 During the IFRS 17 implementation project, the classifications of all accounts receivable and accounts payable balances were reassessed between insurance and non-insurance balances. It was determined that certain amounts were incorrectly classified as insurance where the transactions were non-insurance related and vice versa. 30 June 2022 and 1 July 2021 have been restated accordingly.

5 During the prior year, a selection of policyholder liabilities were reclassified from Investment contracts with DPF to Investment contracts at FVPL as a result of an update to FSCA Standard 5 of 2020. A reserve related to these policies was incorrectly not reclassified as well. 30 June 2022 has been restated accordingly.

6 The Group's policy is to reflect interest on financial instruments measured at FVPL based on the effective interest rate method. For certain instruments this was incorrectly calculated leading to a misclassification between Other investment income and Net realised and unrealised fair value gains/losses.

7 An intercompany reinsurance agreement between MML and Guardrisk Life Ltd was not eliminated in the prior year. June 2022 has been restated accordingly.

NOTE 12 CONTINUED

RESTATEMENTS CONTINUED

Income statement for the 12 mths to 30.06.2022	Before restatement Rm	Carry positions[1] Rm	Commission correction[2] Rm	Investment in associate FCTR[3] Rm	Debtors/ creditors reclas-sification[4] Rm	Smooth bonus data reserve[5] Rm	Effective interest rate[6] Rm	Inter-company reinsurance arrangements[7] Rm	After restatement Rm
Investment income	26 167	–	–	–	–	–	(654)	–	25 513
Net realised and unrealised fair value gains	(4 170)	–	–	–	–	–	654	–	(3 516)
Change in actuarial liabilities and related reinsurance									
Change in life insurance contract liabilities	3 280	–	–	–	–	–	–	23	3 303
Change in reinsurance assets	897	–	–	–	–	–	–	(23)	874
Sales remuneration	(7 674)	–	242	–	–	–	–	–	(7 432)
Other expenses	(8 256)	–	(242)	–	–	–	–	–	(8 498)
Earnings for the year	3 808	–	–	–	–	–	–	–	3 808

Statement of comprehensive income for the 12 mths to 30.06.2022	Before restatement Rm	Carry positions[1] Rm	Commission correction[2] Rm	Investment in associate FCTR[3] Rm	Debtors/ creditors reclas-sification[4] Rm	Smooth bonus data reserve[5] Rm	Effective interest rate[6] Rm	Inter-company reinsurance arrangements[7] Rm	After restatement Rm
Items that may subsequently be reclassified to income									
Share of other comprehensive income of associates	52	–	–	7	–	–	–	–	59
Total comprehensive income for the year	3 772	–	–	7	–	–	–	–	3 779

Statement of cash flows for the 12 mths to 30.06.2022	Before restatement Rm	Carry positions[1] Rm	Commission correction[2] Rm	Investment in associate FCTR[3] Rm	Debtors/ creditors reclas-sification[4] Rm	Smooth bonus data reserve[5] Rm	Effective interest rate[6] Rm	Inter-company reinsurance arrangements[7] Rm	After restatement Rm
Cash utilised in operations	(19 619)	(3 008)	–	–	–	–	278	–	(22 349)
Interest received	16 297	–	–	–	–	–	(278)	–	16 019
Proceeds from carry positions	5 607	3 008	–	–	–	–	–	–	8 615

1 Trade date accounting was applied to sale and repurchase as well as reverse sale and repurchase agreements as opposed to the application of settlement date accounting as required by IFRS 9 – *Financial instruments* and required in terms of the Group's accounting policy. 1 July 2021 has been restated accordingly.

2 A reassessment was performed on Sales remuneration expenses. Certain transactions were incorrectly disclosed as Sales remuneration instead of as Other expenses. June 2022 has been restated accordingly.

3 Goodwill initially recognised and included in the carrying value of investments in associates and joint ventures related to ABHI was not treated as part of the assets of the foreign operation. As such, the Goodwill was not expressed in the functional currency of ABHI and subsequently translated to the Group's reporting currency. 30 June 2022 and 1 July 2021 have been restated accordingly.

4 During the IFRS 17 implementation project, the classifications of all accounts receivable and accounts payable balances were reassessed between insurance and non-insurance balances. It was determined that certain amounts were incorrectly classified as insurance where the transactions were non-insurance related and vice versa. 30 June 2022 and 1 July 2021 have been restated accordingly.

5 During the prior year, a selection of policyholder liabilities were reclassified from Investment contracts with DPF to Investment contracts at FVPL as a result of an update to FSCA Standard 5 of 2020. A reserve related to these policies was incorrectly not reclassified as well. 30 June 2022 has been restated accordingly.

6 The Group's policy is to reflect interest on financial instruments measured at FVPL based on the effective interest rate method. For certain instruments this was incorrectly calculated leading to a misclassification between Other investment income and Net realised and unrealised fair value gains/losses.

7 An intercompany reinsurance agreement between MML and Guardrisk Life Ltd was not eliminated in the prior year. June 2022 has been restated accordingly.

NOTE 13

ADOPTION OF NEW STANDARDS

IFRS 17 TRANSITIONAL ADJUSTMENTS

13.1 Overview of the implementation of IFRS 17 – *Insurance contracts* by the Group

The Group initiated efforts to implement IFRS 17 in the 2017 calendar year. At a relatively early stage, it was decided that the implementation project should have a compliance focus as opposed to co-mingling development efforts with financial reporting transformation. In turn, this decision enabled the project to mainly rely on existing administrative and financial reporting infrastructure. This approach was extensively tested with internal and external experts at the time.

Significant parts of the Group's implementation efforts were resourced from internal teams that were actively involved in finance and actuarial processes. This led to challenges during financial reporting periods but had the benefit of embedding the relevant technical and processing skills within the organisation. Although this blueprint was adhered to in general, entities across the Guardrisk Group are noteworthy exceptions. This is due to the specific nature of the cell captive industry in South Africa, for which clarity on implementation requirements was provided significantly later than the initial publication of the standard.

The ultimate successful implementation of IFRS 17 requires a variety of reporting functions, including actuarial and operational finance teams, to be in lockstep. The importance of line of business administration systems in facilitating this cannot be overemphasised. An initial mapping of the requirements to system capabilities supported an approach where any given system should ideally only be required to support the financial reporting of either insurance contracts (under IFRS 17) or investment contracts (under IFRS 9). In turn, this led to a reassessment of the Group's practices on what constitutes significant discretion and the resulting reclassification for the June 2020 financial year end. The net result was that limited changes were required to the Group's array of administration solutions.

Despite a long development time, several areas of the standard continued to pose uncertainty. We do believe that industry practice will develop over time on these matters, including the various approaches deemed acceptable by assurance providers. Nevertheless, it was necessary to follow a timeous and rigorous governance process from the start on these areas of uncertainty as well as other design decisions as demanded by development time frames. The Group's external assurance provider was requested to provide an ongoing compliance rating on interpretation and methodology matters since their involvement in 2019.

IFRS 17 requires accounting policy and implementation choices which will affect the level and pattern of future earnings. When deliberating the options, the Group decided not to target a specific earnings or equity impact, but to adhere to a framework consisting of three principles:

- *Economic reality*
  Accounting should reflect the underlying economics of insurance contracts as closely as possible. An example of where this was applied is setting the confidence level of the risk adjustment so as to have the contractual service margin (CSM) a fair reflection of the economic value added.

- *Stable earnings release*
  In-force contracts should deliver a stable and real (increasing broadly with inflation) contribution to profit and loss. Earnings volatility, including volatility from one period to the next, should be minimised where possible. An example of where this was applied is the choice to discount coverage units.

- *Operational alignment*
  Where possible, accounting had to align with current business practices for example risk and product management. In addition, choices should also support alignment across the various reporting bases being regulatory, statutory, embedded value and tax.

By applying this framework, the Group believes that the implementation of IFRS 17 will contribute to enhanced clarity and comparability of its financial results. It is noteworthy that the quantum and magnitude of adjustments between IFRS earnings and normalised headline earnings (one of the Group's key performance indicators) is expected to reduce, emphasising the reliance placed on meaningful financial results.

While the impact of IFRS 17 on the Group's financial reporting process and results is significant, solvency and thus ultimate free cash flow is unaffected. No immediate changes to business models are anticipated, but the additional granularity and aspects on financial performance provided by IFRS 17 may be used to enhance decision making.

NOTE 13 CONTINUED

ADOPTION OF NEW STANDARDS CONTINUED

IFRS 17 TRANSITIONAL ADJUSTMENTS continued

13.1 Overview of the implementation of IFRS 17 – *Insurance contracts* by the Group continued

The expected impact of IFRS 17 on the Group's key metrics is tabled below:

Key metrics		High level impact
Growth and sales	Normalised headline earnings	Expect c.R200 million decrease in normalised headline earnings and thus likely to see normalised headline earnings targets adjusted accordingly
	Value of new business	VNB metric sees modest changes
		VNB targets unchanged
	Present value of new business premiums	PVNBP metric and targets unchanged
Distributable reserves	Dividend per share	Dividends not impacted
Financial stability and value	Return on equity	Lower return on equity due to c.R3 billion expected increase in equity on transition and c.R200 million decrease in normalised headline earnings
	Embedded Value	EV per share not materially affected (aligns with distribution not being affected)
	CSM	c.R16.5 billion on transition

13.2 Nature of changes in accounting policy

For the Group, IFRS 17 – *Insurance contracts* replaces IFRS 4 – *Insurance contracts* for the reporting periods commencing on or after 1 July 2023.

The implementation of IFRS 17 did not result in a change in classification of policies, as insurance or investment contracts. Policies issued under life insurance licences that were accounted for under IFRS 9, continue to be accounted for as financial instruments, except in instances where restrictive unbundling requirements in IFRS 17 result in unbundled financial instruments, being accounted for together with existing insurance contracts, as single insurance contracts in the scope of IFRS 17. The accounting treatment of third-party cell captive arrangements was affected by the implementation of IFRS 17. For further information on the application of IFRS 17 to third-party cell captive arrangements, refer to note 13.5.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with DPF. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

IFRS 17 has brought significant changes to the accounting for insurance and reinsurance contracts. The requirements of IFRS 17 are equally applicable to insurance contracts issued and reinsurance contracts held, with a few exceptions. As a result a transition balance sheet as of 1 July 2022 has been prepared.

Statement of financial position
Recognition and derecognition
Under IFRS 4, the Group recognised insurance contracts issued and reinsurance contracts held when the contracts became effective.

In terms of IFRS 17, a group of insurance contracts is recognised at the earlier of the start of the coverage period, the due date for payment for first premiums or when it becomes evident that the group is onerous at initial recognition. A group of reinsurance contracts is recognised at the earlier of the commencement of the group's coverage period or the date when the entity recognised a group of onerous underlying insurance contracts, covered by the related reinsurance agreement.

The implementation of IFRS 17 could result in insurance contracts and reinsurance contracts being recognised earlier and therefore affecting the Group's financial position and financial performance from an earlier date, when compared to previous accounting policies.

In terms of IFRS 4, the Group derecognised an insurance or reinsurance contract when the contract expired or was fulfilled. This treatment will continue under IFRS 17. In terms of IFRS 17, the Group considers the extent of modifications to insurance and reinsurance contracts to determine if the substance of the modification is a derecognition of the modified contracts and the recognition of a new group of contracts.

NOTE 13 CONTINUED

ADOPTION OF NEW STANDARDS CONTINUED

IFRS 17 TRANSITIONAL ADJUSTMENTS continued

13.2 Nature of changes in accounting policy continued

Statement of financial position continued

Portfolios and groups of insurance contracts

In terms of IFRS 4, the Group accounted for insurance contacts issued and reinsurance contracts held on a contract or portfolio basis.

In terms of IFRS 17, on initial recognition, insurance contracts are grouped into portfolios (based on how contracts are managed) and then into groups of insurance contracts (the unit of account) based on expected profitability. The recognition and measurement principles in IFRS 17 are applied to each unit of account. In instances where the insurance contracts were measured and accounted for on a portfolio basis under IFRS 4, the application of the IFRS 17 to the new unit of account, will reflect the economic consequences of transactions with policyholders on a more granular level.

Measurement of insurance contracts issued and reinsurance contracts held

In terms of IFRS 4, liabilities relating to life insurance contracts and investment contracts with DPF were measured in accordance with the Financial Soundness valuation (FSV) basis as set out in SAP 104 – *Calculation of the value of the assets, liabilities and solvency capital requirement of long-term insurers*. The FSV basis is based on best estimate assumptions regarding future experience plus compulsory margins and additional discretionary margins for prudence and deferral of profit emergence. In terms of the FSV basis, the Group could not incorporate the expected impact of policyholder options that are beneficial to the Group, in the measurement of insurance contracts.

In terms of IFRS 4, non-life insurance contracts were reflected on the statement of financial position through the provision for unearned premiums and outstanding claims liability. The provision for unearned premiums represented the proportion of the premiums written during the reporting period in question that relate to unexpired risk periods, computed separately for each insurance contract using the 365th method. Outstanding claims comprised provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not.

Under IFRS 17 the following aspects of insurance contract measurement are applied:

- *Measurement models*

  In terms of IFRS 17, insurance contracts issued are measured with the general measurement model, the variable fee approach or the premium allocation approach. Reinsurance contracts held are measured in terms of the general measurement model or the premium allocation approach.

  In terms of the general measurement model and the variable fee approach, groups of insurance contracts are measured at the total of fulfilment cash flows and the contractual service margin (CSM).

  If the group of insurance contracts is onerous, the group is measured at the fulfilment cash flows. In comparison, the contractual service margin of a group of reinsurance contracts is either a deferred income or expense. Fulfilment cash flows consists of the present value of expected income and expenses that the Group expects to incur to fulfil obligations under insurance contracts and a risk adjustment for non-financial risk.

  The general measurement model and the variable fee approach differ on how the contractual service margin is measured after initial recognition. The differences relate to the changes in estimates of fulfilment cash flows that adjusts the contractual service margin or loss component (a sub-set of the fulfilment cash flows that represents a loss recognised) and the discount rates used to measure the adjustments at the reporting date.

  The premium allocation approach is a simplified version of the general measurement model and is comparable to the unearned premium method applied in terms of IFRS 4. In terms of the premium allocation approach, premiums received are recognised as insurance service revenue during the coverage period of the group of insurance contracts based on the passage of time or the pattern of expected insurance service expenses. In contrast to the general measurement model and the variable fee approach, the premium allocation approach does not require a contractual service margin to be maintained for the group of insurance contracts. It also allows, when criteria are met, for fulfilment cash flows to be measured at undiscounted amounts and insurance acquisition cash flows to be expensed when incurred.

NOTE 13 CONTINUED

ADOPTION OF NEW STANDARDS CONTINUED

IFRS 17 TRANSITIONAL ADJUSTMENTS continued

13.2 Nature of changes in accounting policy continued

Statement of financial position continued

Measurement of insurance contracts issued and reinsurance contracts held continued

- *Identification and measurement of fulfilment cash flows*

  Fulfilment cash flows are included in the measurement of insurance contract assets and insurance contract liabilities. Fulfilment cash flows consists of the present value of expected income and expenses that the Group expects to incur to fulfil obligations under insurance contracts (the best estimate liability) and a risk adjustment for non-financial risk.

  Fulfilment cash flows include, but are not limited to, premium inflows, fee income, charges, insurance acquisition expenses, administration and maintenance expenses, claims and benefits, investment management expenses, reporting and risk management expenses and overhead expenses incurred to support the fulfilment of insurance contracts issued. The identification and measurement of fulfilment cash flows determines whether a group of insurance contracts is expected to be profitable or loss-making over the coverage period.

  The inclusion of the risk adjustment and policyholder options that are beneficial to the Group in fulfilment cash flows, resulted in significant changes in the measurement of insurance contracts when compared to IFRS 4.

- *Risk adjustment*

  In terms of IFRS 4, compulsory and discretionary margins were included in the measurement of insurance contract liabilities. Compulsory margins were prescribed and held to cover uncertainties in the best-estimate assumptions used. Compulsory margins were released over time should experience be in line with these best-estimate assumptions. The Group held discretionary margins if the compulsory margins were insufficient for prudent reserving or if practice or product design justified the deferral of profits. The Group released these margins into profit before tax in line with product design and risks borne by the Group. These margins were set at product level.

  In terms of IFRS 17, the Group includes a risk adjustment for non-financial risk in the measurement of liabilities for remaining coverage and liabilities for incurred claims. The risk adjustment represents the compensation that the Group expects to receive to neutralise the economic effect of non-financial risk accepted. The risk adjustment of a group of reinsurance contracts held reflects the non-financial risks ceded to the reinsurer.

  Changes in the risk adjustment caused by changes in estimates regarding future services are accounted for in the contractual service margin or the loss component. Changes in the risk adjustment caused by changes in estimates regarding past or current services are allocated between insurance finance income and expenses and insurance service results.

  The Group developed actuarial models and processes to set margins for adverse deviation in non-financial assumptions based on the confidence level set for the risk adjustment. These margins enable the Group to calculate the risk adjustment per unit of account directly.

  The release of the risk adjustment for non-financial risk is included in the income statement section.

- *CSM*

  The CSM, a component of the liability for remaining coverage, represents the expected profit to be earned over the remaining coverage period of the group of insurance contracts. The CSM is recognised at initial recognition of the group of insurance contracts, at an amount that is opposite, but equal to the expected net fulfilment cash inflows. The release of profit from the CSM is based on insurance contract services rendered during the financial period and the resulting release of coverage units. Coverage units represent the Group's readiness to render insurance contract services. The recognition of the CSM ensures that insurance service revenue is not earned before insurance contract services have been rendered.

  For insurance contracts measured under the General Measurement Model, interest is accreted to the contractual service margin carrying amount at the locked-in discount rate, determined at initial recognition of the group of insurance contracts.

  For insurance contracts measured under the Variable Fee Approach, the insurer's share of changes in the fair value of underlying items adjusts the carrying amount of the CSM.

Notes to the summarised audited annual financial statements continued

NOTE 13 CONTINUED

ADOPTION OF NEW STANDARDS CONTINUED

IFRS 17 TRANSITIONAL ADJUSTMENTS continued

13.2 Nature of changes in accounting policy continued

Statement of financial position continued

Measurement of insurance contracts issued and reinsurance contracts held continued

- *Onerous contracts and loss component*

  In terms of IFRS 4, the Group performed liability adequacy tests for each insurance portfolio. The liability adequacy test considered whether the carrying amount of the insurance liability less the carrying amounts of related intangible assets, is a sufficient reserve for best estimate future cash flows. If the insurance liability was found to be insufficient, the related intangible assets are impaired, before a loss is recognised in the statement of comprehensive income.

  The implementation of IFRS 17 results in losses being recognised at a more granular level, per unit of account, when compared to IFRS 4 practices.

  At initial recognition an insurance contract or group of insurance contracts is classified as onerous, if fulfilment cash flows incurred to date and remaining fulfilment cash flows are expected to result in a net cash outflow. At initial recognition, insurance contracts that are onerous are combined into units of account that contain only onerous insurance contracts. Once an insurance contract is allocated into a unit of account, the insurance contract remains in the unit of account until the insurance contract is derecognised. After initial recognition, a previously profitable group of insurance contracts is treated as an onerous group, if loss-making changes to fulfilment cash flows depletes the CSM.

  For a group of insurance contracts measured under the general measurement model or the variable fee approach, the recognition of a loss, on an onerous insurance contract or group of insurance contracts, leads to the identification of a loss component (a sub-set of fulfilment cash flows) in the liability for remaining coverage. The loss component indicates the extent to which losses must be reversed or amortised before a CSM can be recognised for the group of insurance contracts. For insurance contracts measured under the premium allocation approach, the loss component is an additional liability that is added to the liability for remaining coverage.

  At the reporting date, the loss component is adjusted to reflect the extent to what insurance contract services have been rendered and current assumptions regarding remaining fulfilment cash flows.

  To the extent that losses on an onerous group of insurance contracts are covered by reinsurance contracts, a loss recovery component is identified in the fulfilment cash flows of the group of reinsurance contracts. If the group of reinsurance contracts is measured under the premium allocation approach, an additional asset is added to the asset for remaining coverage.

  Reinsurance costs that relate to events and circumstances before the recognition of the group of reinsurance contracts are expensed when incurred.

- *Discount rate*

  In terms of IFRS 4, the Group determined discount rates, to be used in the measurement of insurance contracts, by adding compulsory risk margins to risk-free interest rates obtained from yield curves on government bonds.

  In terms of IFRS 17, the discount rate should reflect the characteristics of the fulfilment cash flows. Some yield curves (based on risk-free interest rates) represent market returns on liquid assets, while fulfilment cash flows might represent less liquid or illiquid groups of insurance contracts. In such instances, the Group adds an illiquidity premium to the discount rate used, to measure insurance contract assets and insurance contract liabilities. Compulsory risk margins are no longer included in the construction of discount rates.

  For information on the treatment of cell captive arrangements under IFRS 17, refer to note 13.5.

NOTE 13 CONTINUED

ADOPTION OF NEW STANDARDS CONTINUED

IFRS 17 TRANSITIONAL ADJUSTMENTS continued

13.2 Nature of changes in accounting policy continued

Income statement

Recognition of insurance service revenue

In terms of IFRS 4, the Group recognised revenue from long-term insurance premiums, when due and from non-life insurance premiums, when earned. Revenue was measured at the amount due, or the amount earned.

In terms of IFRS 17, insurance service revenue is the consideration that the Group expects to be entitled to, for rendering insurance contracts services during the financial period. Insurance service revenue replaces premiums as revenue from insurance contracts issued. The quantum of insurance contract services rendered is determined by changes in the liabilities for remaining coverage caused by the rendering of services.

Insurance service revenue consists of expected consideration for expenses incurred to provide insurance contract services to policyholders, releases of the risk adjustment associated with services rendered, recovery of insurance acquisition cash flows and release of profit from the CSM.

The implementation of IFRS 17 will result in changes in the timing of revenue recognised by the Group for rendering insurance contract services.

The release of profit from the CSM is based on insurance contract services rendered during the financial period based on the release of coverage units. Coverage units represent the Group's readiness to render insurance contract services.

In terms of the premium allocation approach, premiums received are recognised as insurance service revenue during the coverage period of the group of insurance contracts based on the passage of time or the pattern of expected insurance service expenses.

The implementation of IFRS 17 should result in the amount and timing of the recognition of insurance service revenue being different from the amount and timing of revenue recognised under IFRS 4.

Recognition of insurance service expenses

In terms of IFRS 4, the Group recognised insurance claims incurred in 'insurance benefits and claims', while measurement changes in insurance liabilities were included in 'changes in actuarial liabilities and reinsurance' on the statement of comprehensive income. Other expenses incurred by the Group were presented on the statement of comprehensive income as appropriate.

In terms of IFRS 17, fulfilment cash flows are expensed when incurred and presented under insurance service expenses on the statement of comprehensive income. Insurance service expenses include, among others, allocated insurance acquisition cash flows, policy administration and maintenance expenses, claims expenses, investment management expenses and overhead expenses attributable to the provision of insurance services. Taxes which are directly recovered from policyholder benefits are included as fulfilment cash flows. The remainder of incurred expenses are presented on the statement of comprehensive income as appropriate.

Insurance acquisition cash flows

In terms of IFRS 4, the Group capitalised expenses associated with the acquisition of insurance contracts as deferred acquisition costs (DAC). DAC consisted of incremental costs incurred to obtain a contract with a customer. DAC was amortised over a range of amortisation periods reflecting the expected duration of underlying insurance contracts issued.

In terms of the general measurement model and the variable fee approach, expected insurance acquisition cash flows are included in fulfilment cash flows. Once incurred, actual insurance acquisition cash flows are recognised in the liability for incurred claims and the liability for remaining coverage.

In terms of the premium allocation approach incurred insurance acquisition cash flows are capitalised in the liability for remaining coverage and amortised to insurance service expenses over the coverage period. If criteria are met, insurance acquisition cash flows are expensed when incurred.

Insurance acquisition cash flows are incurred in selling, underwriting and issuing insurance contracts. Examples of such expenses include commission expenses, marketing expenses, distribution channel expenses, policy issue costs, policyholder risk assessment costs, and policyholder communication costs. The expenses include both successful and unsuccessful efforts to market and sell insurance contracts. The inclusion of the insurance acquisition cash flows in the liability for remaining coverage reduces expected profits or increase expected losses to be recognised from the group of insurance contracts.

Notes to the summarised audited annual financial statements continued

NOTE 13 CONTINUED

ADOPTION OF NEW STANDARDS CONTINUED

IFRS 17 TRANSITIONAL ADJUSTMENTS continued

13.2 Nature of changes in accounting policy continued

Income statement continued
Insurance acquisition cash flows continued
Insurance acquisition expenses, among other items, are recovered through premiums received from policyholders. The Group recognises insurance service revenue and equal amounts of insurance service expenses by allocating to financial periods, the portion of the premiums that recover insurance acquisition expenses on a straight-line basis over the passage of time.

To enable the recognition of insurance acquisition expenses in insurance service revenue and insurance service expenses, the Group maintains an off-balance sheet cumulative balance for insurance acquisition expenses.

Reinsurance expenses and recoveries
Reinsurance premiums are expensed in a separate line on the face of the statement of comprehensive income through the amount of reinsurance recoveries expected in the reporting period, releases of the risk adjustment for non-financial risk and amortisation of the CSM.

In terms of the premium allocation approach, the reinsurance premiums paid are expensed over the coverage period according to the passage of time or the expected pattern of reinsurance coverage to be provided by the reinsurers.

Recoveries from reinsurers are recognised as assets for incurred claims, when the recovery of the claim has been incurred. Assets for incurred claims are measured at the present value of expected cash flows, taking into account the terms and conditions of the reinsurance treaty. The measurement of the asset for incurred claims includes a risk adjustment for non-financial risk ceded to the reinsurer. Recoveries from reinsurers are disclosed separately on the face of the statement of comprehensive income.

Insurance finance income and expense
In terms of IFRS 4, the Group recognised interest income or expense on insurance issued and reinsurance contracts held. The interest income or expense was included in changes in actuarial liabilities and related reinsurance on the face of the income statement.

In terms of IFRS 17, interest income and expense on insurance contracts issued and reinsurance contracts held are presented separately, under insurance finance income or expense and reinsurance finance income or expense. *Thus, the Group elected to not present a portion of insurance finance income and expense in other comprehensive income.*

In general, the Group does not incur finance expense/income on the liability/asset for remaining coverage and the liability/asset for incurred claims measured in terms of the premium allocation approach. Exceptions to this principle relate to group credit life insurance, some health insurance contracts and cash-back benefits.

NOTE 13 CONTINUED

ADOPTION OF NEW STANDARDS CONTINUED

IFRS 17 TRANSITIONAL ADJUSTMENTS continued

13.2 Nature of changes in accounting policy continued

Income statement continued

Own equity instruments held to back contract liabilities

Investments held by the Group to back insurance and investment contract liabilities include own equity instruments. Own equity instruments and related investment returns were eliminated on consolidation to reflect the economic consequences of holding own equity instruments as investments, the Group included investment returns on own equity instruments and the number of own equity instruments held in normalised headline earnings and diluted normalised earnings per share.

In terms of recent amendments to IAS 32 Financial Instruments: Presentation the Group decided to account for own equity instruments, held to back insurance contracts measured under the variable fee approach and investment contracts where the investment returns on the own equity instruments impact policyholder benefits, as issued own equity instruments.

The change in accounting policy should result in own equity instruments being included in financial assets at fair value through profit and loss and in issued equity instruments on the statement of financial position. In addition, the investment returns on these instruments will be included in net income on the face of the income statement.

13.3 Expected impact of implementation of IFRS 17 on consolidated equity

The implementation of IFRS 17 is expected to result in an increase in consolidated equity of approximately R2.9 billion. The expected increase in consolidated equity can be analysed as follows:

The expected impact of the implementation of IFRS 17 – *Insurance contracts* on total equity of the Group is as follows:

Total equity	Notes	30.06.2022 Rbn
Balance at beginning		25.0
Life insurance, non-life insurance and health insurance		
Increase in retained earnings		2.4
Recognition and measurement of insurance contracts issued and reinsurance contracts held	a.	6.5
Derecognition of intangible assets	b.	(3.2)
Investments in associates and joint ventures	c.	(0.2)
Increase in net deferred tax liabilities	d.	(0.6)
Investment returns on Group shares held in insurance policyholder assets	e.	(0.1)
Increase in other components of equity		0.5
Increase in non-controlling interests		0.0
Decrease in foreign currency translation reserve		0.0
Decrease in treasury shares	e.	0.4
Other		0.1
Cell captive arrangements		
Increase in retained earnings		0.0
Balance at end		27.9

NOTE 13 CONTINUED

ADOPTION OF NEW STANDARDS CONTINUED

IFRS 17 TRANSITIONAL ADJUSTMENTS continued

13.3 Expected impact of implementation of IFRS 17 on consolidated equity continued

The expected increase in retained earnings for life insurance, non-life insurance and health insurance can be analysed as follows:

Total equity	30.06.2022 Rbn
Life insurance contracts issued – impact on retained earnings (debit)/credit	6.5
Release of compulsory and discretionary margins	25.9
Risk adjustment for non-financial risk	(3.5)
Contractual service margin	(16.5)
Best estimate liability difference	0.6
Non-life insurance contracts – impact on retained earnings (debit)/credit	0.0
Health insurance contracts – impact on retained earnings (debit)/credit	0.0
Increase in retained earnings	6.5

The expected increase in retained earnings relating to cell captive arrangements has been presented as a single amount, due to the offsetting impact of insurance contracts issued, reinsurance contracts held and in-substance reinsurance contracts held with cell owners. For further information on the expected impact of the implementation of IFRS 17 on cell captive arrangements and in particular third-party cell captive arrangements, refer to note 13.5.

a. *Recognition and measurement of insurance contracts issued and reinsurance contracts held*
The expected increase in retained earnings is represented by a net change in carrying amounts of insurance contracts issued and reinsurance contracts from 30 June 2022 (in terms of IFRS 4) to 1 July 2022 (in terms of IFRS 17).

Total equity	30.06.2022 Rbn
Insurance contracts and investment contracts with discretionary participation features	
Long-term insurance contracts	124.0
Investment contract liabilities and investment contract liabilities with discretionary participation features	3.0
Short-term insurance contracts	1.9
Capitation agreements	0.0
Net insurance contract liabilities on 30 June 2022	128.9
Reinsurance contracts held	
Reinsurance contract assets	3.5
Net reinsurance contract assets on 30 June 2022	(3.5)
Reallocation of working capital balances and policyholder loans	0.8
Net insurance contract liabilities on 30 June 2022 (i)	126.2

In terms of IFRS 4, the Group accounted for amounts due to and due from with policyholders and reinsurers in various working capital items on the statement of financial position. In terms of IFRS 17, amounts due to and due from policyholders and reinsurers are included in the measurement of insurance contracts issued and reinsurance contracts held and are no longer disclosed separately on the statement of financial position.

In terms of IFRS 4, investment contracts with discretionary participation features were presented in a separate line on the statement of financial position. In terms of IFRS 17, these contracts are presented together with insurance contracts issued on the statement of financial position and are no longer presented separately. The balances on 30 June 2022 reflect the carrying amounts of items before to the measurement adjustments due to the implementation of IFRS 17.

NOTE 13 CONTINUED

ADOPTION OF NEW STANDARDS CONTINUED

IFRS 17 TRANSITIONAL ADJUSTMENTS continued

13.3 Expected impact of implementation of IFRS 17 on consolidated equity continued

a. *Recognition and measurement of insurance contracts issued and reinsurance contracts held* continued

	General measurement model Rbn	Variable fee approach Rbn	Premium allocation approach Rbn	Total Rbn
Analysis of net insurance contracts on 1 July 2022				
Insurance contract assets	(4.1)	0.1	(0.1)	(4.1)
Insurance contract liabilities	50.9	65.9	12.5	129.3
Net insurance contract liabilities on 1 July 2022	46.8	66.0	12.4	125.2

	General measurement model Rbn	Premium allocation approach Rbn	Total Rbn
Analysis of net reinsurance contracts on 1 July 2022			
Reinsurance contract assets	3.4	2.4	5.8
Reinsurance contract liabilities	(0.2)	(0.1)	(0.3)
Net reinsurance contracts assets held on 1 July 2022	3.2	2.3	5.5
Net insurance contract liabilities on 1 July 2022 (ii)			**119.7**
Reduction in net insurance contract liabilities on 1 July 2022 (i - ii)			**6.5**

On 1 July 2022 the Group measured insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features. The application of IFRS 17 resulted in insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features being presented as assets or liabilities on the statement of financial position, depending on whether the portfolios that contracts have been allocated to, are in asset or liability positions.

b. *Intangible assets*

	Value of business acquired Rbn	Deferred acquisition costs Rbn	Total Rbn
Carrying amount on 30 June 2022	3.1	2.0	5.1
Derecognition to retained earnings	(3.1)	(0.1)	(3.2)
Carrying amount on 1 July 2022	0.0	1.9	1.9

On 30 June 2022 the Group carried 'value of business acquired' and other intangible assets with carrying amounts of R3.1 billion, and DAC, with carrying amounts of R2.0 billion linked to insurance business on the statement of financial position. The 'value of business acquired' represents the difference between the fair value of the insurance contracts acquired and the carrying amounts of these contracts in terms of previous accounting policies, at the various acquisition dates. The DAC relates to expenses incurred to sell and issue insurance policies to policyholders. In terms of IFRS 17, the Group derecognised the carrying amount of value of business acquired assets to retained earnings, as the fair value of the acquired insurance contracts at the acquisition date, is now incorporated in the measurement of the CSM or loss component of the group of insurance contracts, at the acquisition date. DAC is now included in the measurement of insurance contracts and has been derecognised from the statement of financial position. The remaining balance of DAC relates to costs incurred on investment contracts. The derecognition of these intangible assets on 1 July 2022 resulted in amendments to the deferred tax balance on 1 July 2022.

Notes to the summarised audited annual financial statements continued

NOTE 13 CONTINUED

ADOPTION OF NEW STANDARDS CONTINUED

IFRS 17 TRANSITIONAL ADJUSTMENTS continued

13.3 Expected impact of implementation of IFRS 17 on consolidated equity continued

c. *Investments in associates and joint ventures*

	Carrying amount Rbn
Equity accounted investment on 30 June 2022	1.0
Adjustment to the Group's share of equity	(0.2)
Equity accounted investment on 1 July 2022	0.8

The Group accounts for its interest in ABHI by way of the equity accounting method. As a result, the Group adjusts the carrying amount of the investment in the joint venture with its share of changes in the net assets of the investee. IFRS 17 required the remeasurement of net assets of the associate, resulting in a change in the carrying amount of the Group's interest in the associate. Changes in the net asset value of the associate relate primarily to recognition of insurance service revenue over the passage of time compared to over two financial periods and the inclusion of a risk adjustment for non-financial risks in the measurement of liabilities and assets for incurred claims.

d. *Deferred income tax*

	Carrying amount Rbn
Deferred income tax assets	(0.4)
Deferred income tax liabilities	2.6
Net deferred income tax on 30 June 2022	2.2
Deferred tax impact on adjustment to retained earnings on 1 July 2022	0.6
Net deferred income tax on 1 July 2022	2.8
Deferred income tax assets	(0.4)
Deferred income tax liabilities	3.2
Net deferred income tax on 1 July 2022	2.8

On 1 July 2022 the Group derecognised intangible assets with a carrying amount of R3.2 billion and reduced the net carrying amount of insurance contracts issued and reinsurance contracts held with R6.5 billion in terms of IFRS 17. The implementation of IFRS 17 is expected to result in an increase in net deferred tax liabilities of R0.6 billion.

e. *Own equity instruments*

On 1 July 2022 the change in accounting policy regarding own equity instruments held will result in an increase in financial assets at fair value through profit or loss and total equity of R294 million. The increase is due to the recognition of own equity instruments at a fair value of R294 million, cumulative fair value losses on own equity instruments of R131 million and an increase in share premium of R424 million. In future, the normalised headline earnings reconciliations will not include items for own equity instruments held to back insurance contracts measured under the variable fee approach and investment contracts where the investment return on the own equity instruments impact policyholder benefits.

13.4 Expected impact of IFRS 17 on presentation and disclosure

Presentation of insurance contracts and reinsurance contracts held – statement of financial position

In terms of IFRS 4, the Group presented insurance contract assets and insurance contract liabilities on a net basis on the statement of financial position. In the same manner, assets and liabilities for reinsurance contracts held were presented on net basis on the statement of financial position.

In terms of IFRS 17, portfolios of insurance contracts that are assets are accumulated and presented as insurance contract assets on the face of the statement of financial position, while portfolios that are liabilities are accumulated and presented as insurance contract liabilities on the face of the statement of financial position. A similar approach is followed for portfolios of reinsurance contracts held that are in asset and liability positions.

NOTE 13 CONTINUED

ADOPTION OF NEW STANDARDS CONTINUED

IFRS 17 TRANSITIONAL ADJUSTMENTS continued

13.4 Expected impact of IFRS 17 on presentation and disclosure continued

Presentation of insurance contracts issued and reinsurance contracts held – income statement

In terms of IFRS 4, insurance premiums was the measure of revenue earned from providing insurance coverage during the financial period, while net insurance benefits and claims and expenses (including, changes in actuarial liabilities and related reinsurance) indicated the net expenses incurred in providing insurance coverage to policyholders.

In terms of IFRS 17, insurance service revenue replaces insurance premiums as the measure of revenue earned from the rendering of insurance contract services during the financial period. Insurance service expenses replace net insurance benefits and claims and expenses as the measure of fulfilment expenses incurred during the financial period. Expenses that are not fulfilment cash flows are presented outside of insurance service expenses in terms of relevant IFRS as appropriate.

Reinsurance premiums ceded represent the cost of ceding insurance risks to reinsurers during the financial period. Insurance claims recovered are presented as incurred insurance claims recovered from reinsurers.

The total of insurance service revenue, insurance service expenses, reinsurance premiums ceded and insurance claims recovered, is the insurance service result for the financial period. The insurance service result is a measure of the profitability of the insurance contract services provided and reinsurance contract services acquired during the financial period.

13.5 Other

Cell captive arrangements – Third-party cell captive arrangements

In terms of IFRS 4, the Group accounted for insurance policies issued under third-party cell captive arrangements as insurance contracts issued in terms of IFRS 4 and reflected the cell owner as the ultimate reinsurer of the net profit/loss generated by the cell. This treatment resulted in the Group profit before tax reflecting only the fee earned for administering the cell captive arrangement.

In terms of IFRS 17 the third-party cell shareholder agreement is accounted for as an in-substance reinsurance agreement held by the Group as policyholder. The net profit or loss generated by the cell is accounted for as separate, gross reinsurance transactions between the Group as insurer and the cell owner as reinsurer. This treatment results in the Group profit or loss continuing to reflect only the fee earned for administering the cell captive arrangement.

The insurance contracts issued under the cell captive arrangement are reflected in insurance contract assets or liabilities, while the rights and obligations with the cell owner are reflected in reinsurance contract assets or liabilities.

13.6 Transition and use of transitional provisions

The Group transitioned to IFRS 17 by identifying insurance contracts issued and reinsurance contracts held that were in-force on 1 July 2022 and by applying IFRS 17 to these contracts based on the transitional provisions of the standard. The Group applied the full retrospective approach or the fair value approach to account for groups of insurance contracts issued and reinsurance contracts held on 1 July 2022.

The Group applied the fair value approach to specific groups of insurance contracts issued and reinsurance contracts held if the requirements of the standard were viewed as being impracticable to apply by means of the fully retrospective approach.

On 1 July 2022, the Group applied the following transition methods to determine the CSM balances per group of contracts issued and reinsurance contracts held:

Transition approaches 1 July 2022	Fully retrospective approach Rbn	Fair value approach Rbn	Total Rbn
General measurement model	11.6	1.7	13.3
Variable fee approach	0.4	2.8	3.2
Total	12.0	4.5	16.5

Notes to the summarised audited annual financial statements continued

NOTE 13 CONTINUED

ADOPTION OF NEW STANDARDS CONTINUED

IFRS 17 TRANSITIONAL ADJUSTMENTS continued

13.6 Transition and use of transitional provisions continued

Determining whether it is impracticable to apply the standard on the fully retrospective basis is an item of management judgement. The Group made this judgement by considering whether the expected cost to apply the fully retrospective method is reasonable or unreasonable relative to the value that would be obtained from applying this transition method.

Factors considered in making this assessment includes the following:

- Availability and accessibility of historical data
- The effort involved in obtaining historical data
- Reliability and significance of historical assumptions
- Extent of system and model development required

Key implementation decisions include, but are not limited to the following:

- The latest versions of actuarial models were used to measure units of account, regardless of when the units of account were recognised.
- A consistent set of risk margins were used to measure the risk adjustment for non-financial risks on 1 July 2022 and at previous reporting dates.
- Insurance contracts and reinsurance contracts acquired in business combinations were accounted for from the acquisition date of the relevant business combination. Embedded values at the acquisition dates were used to determine the fair value of acquired contracts where embedded values or relative embedded values were referenced in the transaction terms.

Fully retrospective approach

In terms of the fully retrospective method, the Group accounted for groups of insurance contracts issued and reinsurance contracts held, as if IFRS 17 had been effective from the date when the groups of contracts were recognised.

The modification of Myriad insurance contracts issued prior to 30 June 2017 resulted in these contracts being derecognised and recognised in a new unit of account on 1 July 2017. These contracts were accounted for on the fully retrospective approach from the 1st of July 2017.

Fair value approach

In terms of the fair value approach, the Group measured groups of insurance contracts issued and reinsurance contracts held at fair value on the 1st of July 2022 and applied the requirements of the standard to these contracts on a prospective basis from this date.

A fair value measurement incorporates information regarding the item being measured at the measurement date. The Group allocated insurance contracts into groups of insurance contracts, identified various types of contracts in the scope of IFRS 17 and measured specific fulfilment cash flows based on information available at the initial recognition of the insurance contracts issued and reinsurance contracts held.

The fair value approach results in the calculation of the CSM or loss component per group of insurance contracts issued, as the difference between the fair value and the fulfilment cash flows of the group of insurance contracts on the 1st of July 2022. Excess of the fair value over the fulfilment cash flows is accounted for as a CSM (expected future profit), while the excess of the fulfilment cash flows over the fair value is, accounted for as a loss component (a provision for expected losses) with a reduction in retained earnings.

Differences between the fair value and fulfilment cash flows of a group of reinsurance contracts held on 1 July 2022, was accounted for in the CSM as deferred gain or loss on the purchase of reinsurance cover. The deferred gain or loss is recognised in the allocation of reinsurance premiums paid over the coverage period. For a group of reinsurance contracts held, any loss recovery component on 1 July 2022 was calculated by multiplying the loss component of the underlying group of insurance contracts with the percentage of claims the Group expects to recover from the reinsurer.

NOTE 13 CONTINUED

ADOPTION OF NEW STANDARDS CONTINUED

IFRS 17 TRANSITIONAL ADJUSTMENTS continued

13.6 Transition and use of transitional provisions continued

Fair value approach continued

The application of the fair value approach could result in different CSMs or loss component balances being included in the measurement of the groups of insurance contracts, compared to if the full retrospective approach is applied. The CSM or loss component balances will impact the amount and timing of the recognition of future insurance service revenue and insurance service expenses, with a resulting impact on the profit before tax of the Group. The application of the fair value approach will impact the statement of financial position and statement comprehensive income until the relevant groups of insurance contracts issued have been derecognised.

Per portfolio, insurance contracts measured in terms of the fair value approach on 1 July 2022, were allocated to a single group of insurance contracts, regardless of the cohort the insurance contracts belonged to or the expected profitability of the insurance contracts. A similar approach was applied for reinsurance contracts held on 1 July 2022.

The use of a single group of insurance contracts issued or reinsurance contracts held on 1 July 2022, reduced the number of units of accounts to be accounted for on transition to IFRS 17 and will result in a netting of contractual service margins and loss components that would have existed in more granular groups of contracts. On a cumulative basis, the profit or loss before tax will be the same amount, regardless of whether the insurance contracts issued or reinsurance contracts held are allocated to more than one group of contracts, however the annual profit before tax amounts could be different.

Fair value option

Specific groups of insurance contracts where risk mitigation strategies are applied were transitioned to IFRS 17 on a fair value basis in terms of the option afforded by the standard.

Embedded value information

Embedded value results	30.06.2023 Rm	30.06.2022 Rm
Covered business		
Equity attributable to owners of the parent	**26 764**	24 620
Fair value adjustments on Metropolitan business acquisition and other consolidation adjustments	**(1 608)**	(2 015)
Net assets – non-covered business within life insurance companies	**(4 246)**	(3 394)
Net assets – non-covered business outside life insurance companies	**(7 362)**	(6 631)
Diluted adjusted net worth – covered business	**13 548**	12 580
Net value of in-force business	**22 152**	20 650
Diluted embedded value – covered business	**35 700**	33 230
Non-covered business		
Net assets – non-covered business within life insurance companies	**4 246**	3 394
Net assets – non-covered business outside life insurance companies	**7 362**	6 631
Consolidation adjustments[1]	**(956)**	(1 548)
Adjustments for dilution[2]	**1 541**	1 422
Diluted adjusted net worth – non-covered business	**12 193**	9 899
Write-up to directors' value	**1 142**	2 299
Non-covered business	**4 303**	5 247
Holding company expenses[3]	**(1 824)**	(1 839)
International holding company expenses[3]	**(1 337)**	(1 109)
Diluted embedded value – non-covered business	**13 335**	12 198
Diluted adjusted net worth	**25 741**	22 479
Net value of in-force business	**22 152**	20 650
Write-up to directors' value	**1 142**	2 299
Diluted embedded value	**49 035**	45 428
Required capital – covered business (adjusted for qualifying debt)[4]	**6 144**	6 633
Free surplus – covered business	**7 404**	5 947
Diluted embedded value per share (cents)	**3 375**	2 977
Diluted adjusted net worth per share (cents)	**1 772**	1 473
Diluted number of shares in issue (million)[5]	**1 453**	1 526
Return on embedded value (%) – annualised internal rate of return	**14.1%**	11.6%

1 Consolidation adjustments include mainly goodwill and intangibles in subsidiaries that are eliminated.

2 Adjustments for dilution are made up as follows:
- Treasury shares held on behalf of contract holders: R453 million (30.06.2022: R407 million);
- Liabilities related to iSabelo transaction: R826 million (30.06.2022: R763 million); and
- Liability – Momentum Metropolitan Holdings Ltd convertible preference shares issued to KTH: R262 million (30.06.2022: R252 million).

3 The holding company expenses reflect the present value of projected recurring head office expenses. The international holding company expenses reflect the allowance for support services to the international businesses.

4 The required capital for in-force covered business amounts to R10 443 million (30.06.2022: R10 936 million) and is adjusted for qualifying debt of R4 299 million (30.06.2022: R4 303 million).

5 The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares, and includes the treasury shares held on behalf of contract holders as well as those held by a subsidiary related to the iSabelo transaction.

Analysis of net value of in-force business	30.06.2023 Rm	30.06.2022 Rm
Momentum Life	**10 471**	9 832
Gross value of in-force business	**10 862**	10 585
Less cost of required capital	**(391)**	(753)
Momentum Investments[1]	**1 930**	1 410
Gross value of in-force business	**2 326**	1 794
Less cost of required capital	**(396)**	(384)
Metropolitan Life	**3 772**	3 950
Gross value of in-force business	**4 255**	4 425
Less cost of required capital	**(483)**	(475)
Momentum Corporate	**3 317**	2 948
Gross value of in-force business	**4 446**	4 080
Less cost of required capital	**(1 129)**	(1 132)
Momentum Metropolitan Africa	**2 662**	2 510
Gross value of in-force business	**3 045**	2 885
Less cost of required capital	**(383)**	(375)
Net value of in-force business	**22 152**	20 650

1 Included in covered business is Wealth business not deemed to be long-term insurance business with a value of in-force of R357 million (30.06.2022: R160 million).

Embedded value detail	Adjusted net worth[2] Rm	Net value of in-force Rm	30.06.2023 Rm	30.06.2022 Rm
Covered business				
Momentum Life	1 950	10 471	**12 421**	12 432
Momentum Investments[1]	1 666	1 930	**3 596**	3 117
Metropolitan Life	1 750	3 772	**5 522**	5 750
Momentum Corporate	3 750	3 317	**7 067**	6 548
Momentum Metropolitan Africa	1 327	2 662	**3 989**	3 739
Operating segments	10 443	22 152	**32 595**	31 586
Qualifying Debt	(4 299)	–	**(4 299)**	(4 303)
Free Surplus	7 404	–	**7 404**	5 947
Total covered business	13 548	22 152	**35 700**	33 230

1 Included in covered business is Wealth business not deemed to be long-term insurance business with a value of in-force of R357 million (30.06.2022: R160 million).

2 Intercompany loans are carried by the units that utilise the funding, aligned with capital management practices.

Embedded value information continued

Embedded value detail continued	Adjusted net worth[2] Rm	Write-up to directors' value Rm	30.06.2023 Rm	30.06.2022 Rm
Non-covered business				
Momentum Life	291	(678)	**(387)**	(464)
Momentum Multiply	274	(678)	**(404)**	(476)
Other	17	–	**17**	12
Momentum Investments	1 321	1 511	**2 832**	2 582
Investment and savings	1 227	1 534	**2 761**	2 479
Other	94	(23)	**71**	103
Metropolitan Life	11	–	**11**	9
Other	11	–	**11**	9
Momentum Corporate	159	–	**159**	109
Other	159	–	**159**	109
Momentum Metropolitan Health	590	728	**1 318**	1 066
Health	590	728	**1 318**	1 066
Non-life Insurance	4 469	1 914	**6 383**	6 622
Non-life insurance	1 670	38	**1 708**	2 002
Cell captives	2 799	1 876	**4 675**	4 620
Momentum Metropolitan Africa	332	(1 210)	**(878)**	(568)
Life insurance	61	12	**73**	18
Health	309	62	**371**	383
Non-life insurance	74	8	**82**	87
Other	(112)	45	**(67)**	53
International holding company expenses[1]	–	(1 337)	**(1 337)**	(1 109)
New Initiatives	1 521	701	**2 222**	2 242
New initiatives India	1 444	701	**2 145**	2 143
Other	77	–	**77**	99
Shareholders	3 499	(1 824)	**1 675**	600
Other	3 499	–	**3 499**	2 439
Holding company expenses[1]	–	(1 824)	**(1 824)**	(1 839)
Total non-covered business	12 193	1 142	**13 335**	12 198
Total embedded value	25 741	23 294	**49 035**	45 428

1 The international holding company expenses reflect the allowance for support services to the international businesses. The holding company expenses reflect the present value of projected recurring head office expenses.

2 Intercompany loans are carried by the units that utilise the funding, aligned with capital management practices.

Analysis of changes in Group embedded value	Notes	Covered business Adjusted net worth (ANW) Rm	Gross value of in-force (VIF) Rm	Cost of required capital Rm	12 mths to 30.06.2023 Total EV Rm	12 mths to 30.06.2022 Total EV Rm
Profit from new business		(926)	1 898	(287)	**685**	689
Embedded value from new business	A	(926)	1 813	(287)	**600**	626
Expected return to end of period	B	–	85	–	**85**	63
Profit from existing business		3 797	(1 033)	283	**3 047**	3 137
Expected return – unwinding of RDR	B	–	2 351	(378)	**1 973**	1 639
Release from the cost of required capital	C	–	–	513	**513**	488
Expected (or actual) net of tax profit transfer to net worth	D	3 466	(3 466)	–	**–**	–
Operating experience variances	E	680	171	–	**851**	(27)
Development expenses	F	(66)	–	–	**(66)**	(52)
Operating assumption changes	G	(283)	(89)	148	**(224)**	1 089
Embedded value profit/(loss) from operations		2 871	865	(4)	**3 732**	3 826
Investment return on adjusted net worth	H	903	–	–	**903**	246
Investment variances	I	1 075	689	219	**1 983**	(617)
Economic assumption changes	J	398	(422)	127	**103**	214
Exchange rate movements	K	17	33	(5)	**45**	5
Embedded value profit – covered business		5 264	1 165	337	**6 766**	3 674
Transfer of business to non-covered business	L	–	–	–	**–**	–
Other capital transfers	M	(926)	–	–	**(926)**	518
Dividend paid		(3 370)	–	–	**(3 370)**	(860)
Change in embedded value – covered business		968	1 165	337	**2 470**	3 332
Non-covered business						
Change in directors' valuation and other items					**(128)**	687
Change in holding company expenses					**(213)**	426
Embedded value (loss)/profit – non-covered business					**(341)**	1 113
Transfer of business from covered business	L				**–**	–
Other capital transfers	M				**926**	(518)
Dividend received					**1 776**	125
Allowance for shareholder flows related to iSabelo transaction					**63**	85
Shares repurchased					**(1 250)**	–
Finance costs – preference shares					**(37)**	(37)
Change in embedded value – non-covered business					**1 137**	768
Total change in Group embedded value					**3 607**	4 100
Total embedded value profit					**6 425**	4 787
Return on embedded value (%) – annualised internal rate of return					**14.1%**	11.6%

Embedded value information continued

A. VALUE OF NEW BUSINESS

Value of new business[1, 2, 3]	Momentum Life Rm	Momentum Investments[4] Rm	Metropolitan Life Rm	Momentum Corporate Rm	Momentum Metropolitan Africa Rm	Total Rm
12 mths to 30.06.2023						
Value of new business	(69)	466	154	67	(18)	600
Gross	(13)	549	200	143	8	887
Less cost of required capital	(56)	(83)	(46)	(76)	(26)	(287)
New business premiums	3 625	40 027	3 673	5 392	1 424	54 141
Recurring premiums	1 094	205	1 681	1 093	451	4 524
Protection	477	–	1 197	284	219	2 177
Long-term savings	617	181	477	436	232	1 943
Annuities and structured products	–	24	7	373	–	404
Single premiums	2 531	39 822	1 992	4 299	973	49 617
Protection	–	–	–	–	108	108
Long-term savings	2 531	32 960	406	3 669	325	39 891
Annuities and structured products	–	6 862	1 586	630	540	9 618
New business premiums (APE)	1 347	4 187	1 881	1 523	549	9 487
Protection	477	–	1 197	284	230	2 188
Long-term savings	870	3 477	518	803	265	5 933
Annuities and structured products	–	710	166	436	54	1 366
Present value of new business premiums (PVNBP)	7 601	40 656	7 201	10 485	2 930	68 873
Profitability of new business as a percentage of APE	(5.1)	11.1	8.2	4.4	(3.3)	6.3
Profitability of new business as a percentage of PVNBP	(0.9)	1.1	2.1	0.6	(0.6)	0.9
12 mths to 30.06.2022						
Value of new business	(20)	346	244	68	(12)	626
Gross	35	404	317	133	14	903
Less cost of required capital	(55)	(58)	(73)	(65)	(26)	(277)
New business premiums	3 255	41 854	3 555	5 789	2 039	56 492
Recurring premiums	1 053	205	1 710	1 239	400	4 607
Protection	459	–	1 219	784	148	2 610
Long-term savings	594	189	483	453	252	1 971
Annuities and structured products	–	16	8	2	–	26
Single premiums	2 202	41 649	1 845	4 550	1 639	51 885
Protection	–	–	–	1	105	106
Long-term savings	2 202	36 129	474	4 521	886	44 212
Annuities and structured products	–	5 520	1 371	28	648	7 567
New business premiums (APE)	1 273	4 370	1 894	1 694	565	9 796
Protection	459	–	1 219	784	159	2 621
Long-term savings	814	3 802	530	905	341	6 392
Annuities and structured products	–	568	145	5	65	783
Present value of new business premiums (PVNBP)	7 291	42 476	7 160	12 276	3 470	72 673
Profitability of new business as a percentage of APE	(1.6)	7.9	12.9	4.0	(2.1)	6.4
Profitability of new business as a percentage of PVNBP	(0.3)	0.8	3.4	0.6	(0.3)	0.9

1 Value of new business and new business premiums are net of non-controlling interests.

2 The value of new business has been calculated using opening demographic and point of sale economic assumptions. Investment yields at the point of sale have been used for fixed annuity and guaranteed endowment business; for other business the investment yields at the reporting date have been assumed to be representative of the economic assumptions at point of sale. The Group does not allow for marginal diversification benefits to be allocated to the value of new business for purposes of deriving the cost of required capital.

3 No allowance has been made for Covid-19 in the assumptions used to calculate value of new business.

4 Included in covered business is Wealth business not deemed to be long-term insurance business with value of new business of R77 million (30.06.2022: R68 million).

A. VALUE OF NEW BUSINESS CONTINUED

Reconciliation of lump sum inflows	12 mths to 30.06.2023 Rm	12 mths to 30.06.2022 Rm
Total lump sum inflows	**46 817**	41 593
Inflows not included in value of new business	**(11 359)**	(6 723)
Wealth off-balance sheet business	**12 355**	15 270
Term extensions on maturing policies	**189**	242
Automatically Continued Policies	**1 577**	1 510
Non-controlling interests and other adjustments	**38**	(7)
Single premiums included in value of new business	**49 617**	51 885

Principal assumptions (South Africa)[1, 2]	30.06.2023 %	30.06.2022 %
Pre-tax investment return		
Equities	**16.0**	15.5
Properties	**13.5**	13.0
Government stock	**12.5**	12.0
Other fixed-interest stocks	**13.0**	12.5
Cash	**11.5**	11.0
Risk-free return[3]	**12.5**	12.0
Risk discount rate (RDR)[4]	**14.8**	14.4
Investment return (before tax) – balanced portfolio[3]	**14.7**	14.2
Renewal expense inflation rate[5]	**7.1**	7.7

1 The principal assumptions relate only to the South African life insurance business. Assumptions relating to international life insurance businesses are based on local requirements and can differ from the South African assumptions.

2 The assumptions quoted in the table are representative rates derived at the 10-year point of the yield curves.

3 Risk-free returns are taken from an appropriate market-related, risk-free yield curve as at the valuation date. Appropriate risk premia are added to the risk-free yields in order to derive yields on other asset classes. Expected cash flows at each duration are discounted using yields appropriate to that duration. The investment return on balanced portfolio business was calculated by applying the above returns to an expected long-term asset distribution.

4 The risk discount rate applied for covered business in South Africa is derived based on a weighted average cost of capital approach. The assumptions with regards the beta used to derive the cost of equity, the equity risk premium and the relative weighting between debt and equity funding are reviewed annually and has remained unchanged from that assumed at 30 June 2022 (the parameters used to derive the cost of debt has been updated to reflect the current market inputs and expectations).

5 For the retail businesses an inflation rate of 6.0% p.a. is used over the planning horizon (three years) where after the inflation rate is derived from market inputs as the difference between nominal and real yields across the term structure of these curves. An addition to the expense inflation is allowed for in some divisions to reflect the impact of closed books that are in run-off. The 7.1% above represents the 10-year point of the yield curves.

B. EXPECTED RETURN

The expected return is determined by applying the risk discount rate applicable at the beginning of the reporting year to the present value of in-force covered business at the beginning of the reporting year. The expected return on new business is determined by applying the current risk discount rate to the value of new business from the point of sale to the end of the year.

C. RELEASE FROM THE COST OF REQUIRED CAPITAL

The release from the cost of required capital represents the difference between the risk discount rate and the expected after tax investment return on the assets backing the required capital over the year.

D. EXPECTED (OR ACTUAL) NET OF TAX PROFIT TRANSFER TO NET WORTH

The expected profit transfer for covered business from the present value of in-force to the adjusted net worth is calculated on the IFRS basis.

E. OPERATING EXPERIENCE VARIANCES

Operating experience variances	Notes	12 mths to 30.06.2023 ANW Rm	Gross VIF Rm	Cost of required capital Rm	EV Rm	12 mths to 30.06.2022 EV Rm
Momentum Life		**247**	**103**	**–**	**350**	(125)
Mortality and morbidity	1	134	13	–	147	(272)
Terminations, premium cessations and policy alterations	2	84	99	–	183	218
Expense variance		26	–	–	26	27
Other		3	(9)	–	(6)	(98)
Momentum Investments		**10**	**(46)**	**–**	**(36)**	174
Mortality and morbidity	3	(10)	(5)	–	(15)	117
Terminations, premium cessations and policy alterations	4	14	(62)	–	(48)	(39)
Expense variance		(47)	–	–	(47)	39
Credit risk variance		27	–	–	27	47
Other	5	26	21	–	47	10
Metropolitan Life		**(121)**	**(119)**	**–**	**(240)**	(188)
Mortality and morbidity	6	97	16	–	113	16
Terminations, premium cessations and policy alterations	7	(237)	(119)	–	(356)	(272)
Expense variance		(16)	–	–	(16)	(2)
Credit risk variance		46	–	–	46	25
Other		(11)	(16)	–	(27)	45
Momentum Corporate		**757**	**171**	**–**	**928**	325
Mortality and morbidity	8	754	–	–	754	317
Terminations, premium cessations and policy alterations	9	54	171	–	225	27
Expense variance		(165)	–	–	(165)	(78)
Credit risk variance		6	–	–	6	11
Other	10	108	–	–	108	48
Momentum Metropolitan Africa		**(10)**	**62**	**–**	**52**	(159)
Mortality and morbidity	11	66	7	–	73	(117)
Terminations, premium cessations and policy alterations	12	(9)	47	–	38	(64)
Expense variance		(68)	–	–	(68)	(4)
Other		1	8	–	9	26
Shareholders		**(203)**	**–**	**–**	**(203)**	(54)
Total operating experience variances		**680**	**171**	**–**	**851**	(27)

Notes

1. The mortality variance largely stems from the improvement in the Protection and Traditional businesses as well as a release from the Covid-19 provisions.
2. Largely driven by better than expected lapse experience on the Protection business and net positive contribution from alterations experience, in particular with regards voluntary premium growth.
3. The annuity book of business experienced reduced mortality profits due to the easing of the Covid-19 pandemic and the release of an IBNR reserve.
4. Reprice of contracts, fee changes and drawdowns on living annuities.
5. Mainly due to new business premium variance and tax relief impacts.
6. The mortality variance largely stems from the improvement in funeral business and a release from the Covid-19 provisions.
7. The deterioration in persistency and alteration experience includes once-off operational impacts and deterioration observed in the lapse experience.
8. The ANW was positively impacted by morbidity experience on the PHI book as well as positive mortality experience on the Group Risk book and a release from the Covid-19 provisions.
9. The ANW impact mainly relates to the release of reserves on the transfer of certain investments into market-related portfolios, which offer reduced guarantees. The VIF impact relates to positive retention over the period.
10. Mainly relates to admin fees exceeding expectations.
11. Positive mortality experience due to improved Covid experience and a release from the Covid-19 provisions.
12. Higher premiums received than expected on Group Risk business resulting in a positive VIF contribution.

F. DEVELOPMENT EXPENSES

Business development expenses within segments.

G. OPERATING ASSUMPTION CHANGES

Operating assumption changes	Notes	12 mths to 30.06.2023 ANW Rm	Gross VIF Rm	Cost of required capital Rm	EV Rm	12 mths to 30.06.2022 EV Rm
Momentum Life		**172**	**139**	**206**	**517**	846
Mortality and morbidity assumptions	1	45	7	–	52	(64)
Termination assumptions	2	97	314	–	411	(121)
Renewal expense assumptions		(12)	(103)	–	(115)	182
Modelling, methodology and other changes	3, 4	42	(79)	206	169	849
Momentum Investments		**(15)**	**(101)**	**12**	**(104)**	190
Mortality and morbidity assumptions		–	–	–	–	–
Termination assumptions	5	(58)	41	–	(17)	(10)
Renewal expense assumptions		(57)	(155)	–	(212)	300
Modelling, methodology and other changes	4, 6	100	13	12	125	(100)
Metropolitan Life		**(272)**	**(110)**	**–**	**(382)**	52
Mortality and morbidity assumptions	7	270	62	–	332	196
Termination assumptions	8	(190)	(96)	–	(286)	(99)
Renewal expense assumptions		(440)	40	–	(400)	(48)
Modelling, methodology and other changes	9	88	(116)	–	(28)	3
Momentum Corporate		**(78)**	**(37)**	**(70)**	**(185)**	(40)
Mortality and morbidity assumptions	10	36	224	–	260	246
Termination assumptions		(5)	3	–	(2)	–
Renewal expense assumptions		(2)	(270)	–	(272)	(332)
Modelling, methodology and other changes	4, 11	(107)	6	(70)	(171)	46
Momentum Metropolitan Africa		**(90)**	**20**	**–**	**(70)**	41
Mortality and morbidity assumptions		23	(19)	–	4	(36)
Termination assumptions	12	–	39	–	39	(44)
Renewal expense assumptions		(150)	(1)	–	(151)	44
Modelling, methodology and other changes	13	37	1	–	38	77
Total operating assumption changes		**(283)**	**(89)**	**148**	**(224)**	1 089

Notes

1. No mortality basis changes were implemented other than the release of the remaining Covid-19 provisions. Morbidity provisions were strengthened for Protection business.
2. Persistency assumptions for Protection business were revised in line with experience.
3. Methodology changes relate mostly to changes to the modelling of Protection business ancillary benefits.
4. Cost of capital impact mainly due to an adjustment in the capital allocation basis between segments.
5. Termination assumptions for Capital Protector were updated in line with experience.
6. Largely due to methodology changes on Capital Protector.
7. Funeral mortality basis assumptions updated in line with experience. The new mortality basis includes an enhancement to differentiate between more durations.
8. Termination basis assumptions have been adjusted in line with experience.
9. Various modelling and methodology changes.
10. The increase in ANW and VIF can mainly be attributed to the increase in profit assumptions relating to lump sum death benefits.
11. The decrease in ANW can mainly be attributed to the strengthening of the recovery assumptions in respect of income disability benefits, offset by the release of the remaining Covid-19 provisions.
12. Persistency assumptions for Group business were revised in line with experience.
13. Release of non-modelled reserves in preparation for IFRS 17 implementation.

Embedded value information continued

H. INVESTMENT RETURN ON ADJUSTED NET WORTH

Investment return on adjusted net worth	12 mths to 30.06.2023 Rm	12 mths to 30.06.2022 Rm
Investment income	**823**	491
Capital appreciation and other[1]	**80**	(245)
Investment return on adjusted net worth	**903**	246

[1] This includes the revaluation of owner-occupied properties.

I. INVESTMENT VARIANCES

Investment variances represent the impact of higher/lower than assumed investment returns on current and expected future after tax profits from in-force business.

J. ECONOMIC ASSUMPTION CHANGES

The economic assumption changes include the effect of the change in assumed rate of investment return, expense inflation rate and risk discount rate in respect of local and offshore business.

K. EXCHANGE RATE MOVEMENTS

The impact of foreign currency movements on International covered businesses.

L. TRANSFER OF BUSINESS FROM/TO NON-COVERED BUSINESS

Transfer of business between covered and non-covered business.

M. OTHER CAPITAL TRANSFERS

Capital transfers include the alignment of the net asset value of subsidiaries between covered and non-covered business and the recapitalisation of some International subsidiaries. In addition, the change in the treatment of intercompany loans to align with capital management practices has been analysed as capital transfers (this represents the bulk of the number).

Covered business: sensitivities – 30.06.2023	Adjusted net worth Rm	In-force business Net value Rm	In-force business Gross value Rm	In-force business Cost of required capital[3] Rm	New business written Net value Rm	New business written Gross value Rm	New business written Cost of required capital[3] Rm
Base value	13 548	22 152	24 934	(2 782)	600	887	(287)
1% increase in risk discount rate		20 523	23 609	(3 086)	475	791	(316)
% change		(7)	(5)	11	(21)	(11)	10
1% reduction in risk discount rate		23 987	26 431	(2 444)	743	997	(254)
% change		8	6	(12)	24	12	(11)
10% decrease in future expenses		24 057	26 839	(2 782)	784	1 071	(287)
% change[1]		9	8	–	31	21	–
10% decrease in lapse, paid-up and surrender rates		22 768	25 550	(2 782)	773	1 060	(287)
% change		3	2	–	29	20	–
5% decrease in mortality and morbidity for assurance business		25 234	28 016	(2 782)	752	1 039	(287)
% change		14	12	–	25	17	–
5% decrease in mortality for annuity business		21 764	24 546	(2 782)	554	841	(287)
% change		(2)	(2)	–	(8)	(5)	–
1% reduction in gross investment return, inflation rate and risk discount rate	13 661	22 049	24 831	(2 782)	619	906	(287)
% change[2]	1	–	–	–	3	2	–
1% reduction in inflation rate		23 115	25 897	(2 782)	694	981	(287)
% change		4	4	–	16	11	–
10% fall in market value of equities and properties	13 415	21 137	23 919	(2 782)			
% change[2]	(1)	(5)	(4)	–			
10% reduction in premium indexation take-up rate		21 338	24 120	(2 782)	563	850	(287)
% change		(4)	(3)	–	(6)	(4)	–
10% decrease in non-commission-related acquisition expenses					745	1 032	(287)
% change					24	16	–
1% increase in equity/property risk premium		22 660	25 442	(2 782)	635	922	(287)
% change		2	2	–	6	4	–

[1] No corresponding changes in variable policy charges are assumed, although in practice it is likely that these will be modified according to circumstances.

[2] Bonus rates are assumed to change commensurately.

[3] The change in the value of cost of required capital is disclosed as nil where the sensitivity test results in an insignificant change in the value.

Embedded value information continued

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE	Adjusted net worth (ANW) Rm	Gross value of in-force (VIF) Rm	Cost of required capital Rm	12 mths to 30.06.2023 Rm	12 mths to 30.06.2022 Rm
Momentum Life					
Embedded value from new business	(334)	321	(56)	(69)	(20)
Expected return – unwinding of RDR	–	947	(70)	877	633
Release from the cost of required capital	–	–	137	137	173
Expected (or actual) net of tax profit transfer to net worth	1 264	(1 264)	–	–	–
Operating experience variances	247	103	–	350	(125)
Development expenses	(34)	–	–	(34)	(30)
Operating assumption changes	172	139	206	517	846
Embedded value profit from operations	1 315	246	217	1 778	1 477
Investment return on adjusted net worth	102	–	–	102	61
Investment variances	598	325	96	1 019	(208)
Economic assumption changes	–	(229)	49	(180)	100
Embedded value profit – covered business	2 015	342	362	2 719	1 430
Momentum Investments					
Embedded value from new business	119	430	(83)	466	346
Expected return – unwinding of RDR	–	179	(36)	143	91
Release from the cost of required capital	–	–	90	90	60
Expected (or actual) net of tax profit transfer to net worth	312	(312)	–	–	–
Operating experience variances	10	(46)	–	(36)	174
Development expenses	(9)	–	–	(9)	(1)
Operating assumption changes	(15)	(101)	12	(104)	190
Embedded value profit/(loss) from operations	417	150	(17)	550	860
Investment return on adjusted net worth	183	–	–	183	58
Investment variances	81	376	(4)	453	(227)
Economic assumption changes	–	5	8	13	11
Embedded value profit/(loss) – covered business	681	531	(13)	1 199	702
Metropolitan Life					
Embedded value from new business	(302)	502	(46)	154	244
Expected return – unwinding of RDR	–	434	(44)	390	310
Release from the cost of required capital	–	–	96	96	88
Expected (or actual) net of tax profit transfer to net worth	886	(886)	–	–	–
Operating experience variances	(121)	(119)	–	(240)	(188)
Development expenses	(21)	–	–	(21)	(20)
Operating assumption changes	(272)	(110)	–	(382)	52
Embedded value profit/(loss) from operations	170	(179)	6	(3)	486
Investment return on adjusted net worth	71	–	–	71	32
Investment variances	71	2	(14)	59	(113)
Economic assumption changes	–	6	–	6	(2)
Embedded value profit/(loss) – covered business	312	(171)	(8)	133	403

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE CONTINUED	Adjusted net worth (ANW) Rm	Gross value of in-force (VIF) Rm	Cost of required capital Rm	12 mths to 30.06.2023 Rm	12 mths to 30.06.2022 Rm
Momentum Corporate					
Embedded value from new business	(200)	343	(76)	67	68
Expected return – unwinding of RDR	–	557	(171)	386	449
Release from the cost of required capital	–	–	190	190	167
Expected (or actual) net of tax profit transfer to net worth	597	(597)	–	–	–
Operating experience variances	757	171	–	928	325
Development expenses	(2)	–	–	(2)	(1)
Operating assumption changes	(78)	(37)	(70)	(185)	(40)
Embedded value profit/(loss) from operations	1 074	437	(127)	1 384	968
Investment return on adjusted net worth	142	–	–	142	60
Investment variances	111	(20)	130	221	(161)
Economic assumption changes	7	(114)	–	(107)	53
Embedded value profit – covered business	1 334	303	3	1 640	920
Momentum Metropolitan Africa					
Embedded value from new business	(209)	217	(26)	(18)	(12)
Expected return – unwinding of RDR	–	319	(57)	262	219
Expected (or actual) net of tax profit transfer to net worth	407	(407)	–	–	–
Operating experience variances	(10)	62	–	52	(159)
Operating assumption changes	(90)	20	–	(70)	41
Embedded value profit/(loss) from operations	98	211	(83)	226	89
Investment return on adjusted net worth	150	–	–	150	131
Investment variances	169	6	11	186	17
Economic assumption changes	391	(90)	70	371	52
Exchange rate movements	17	33	(5)	45	5
Embedded value profit/(loss) – covered business	825	160	(7)	978	294
Shareholders					
Operating experience variances	(203)	–	–	(203)	(54)
Embedded value loss from operations	(203)	–	–	(203)	(54)
Investment return on adjusted net worth	255	–	–	255	(96)
Investment variances	45	–	–	45	75
Embedded value profit/(loss) – covered business	97	–	–	97	(75)

ANALYSIS OF ASSETS MANAGED AND/OR ADMINISTERED[1]	30.06.2023 Rm	Restated 30.06.2022 Rm
Managed and/or administered by Investments		
Financial assets	**565 889**	501 913
Momentum Manager of Managers	**177 074**	150 285
Equilibrium Investment Management	**16 762**	13 607
Momentum Collective Investments	**101 856**	96 744
Momentum Asset Management	**146 596**	137 071
Momentum Global Investments	**84 502**	70 000
Momentum Alternative Investments[2]	**9 677**	8 458
Momentum Securities	**29 422**	25 748
Properties – Eris Property Group	**17 625**	16 509
On-balance sheet	**9 987**	9 302
Off-balance sheet	**7 638**	7 207
Momentum Wealth linked product assets under administration	**237 155**	204 026
On-balance sheet[3]	**155 912**	132 517
Off-balance sheet	**81 243**	71 509
Managed internally or by other managers within the Group (on-balance sheet)[3]	**96 457**	89 044
Managed by external managers (on-balance sheet)	**14 124**	14 397
Properties managed internally or by other managers within the Group or externally	**1 877**	2 761
Non-life Insurance – cell captives on-balance sheet	**40 452**	30 377
Total assets managed and/or administered	**973 579**	859 027
Managed and/or administered by Investments		
On-balance sheet[2]	**288 472**	257 836
Off-balance sheet	**277 417**	244 077
	565 889	501 913
Admin and brokerage assets[4]	**117 814**	106 862
Other assets[2, 4]	**448 075**	395 051
	565 889	501 913

1 Assets managed and/or administered, other than CIS assets, are included where an entity earns a fee on the assets. The total CIS assets are included in Momentum Collective Investments only as this is where the funds are housed. Non-financial assets (except properties) have been excluded.

2 R305 million restatement relates to disinvestments in a few funds that was erroneously excluded in the June 2022 closing balance. 30 June 2022 has been restated accordingly.

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

4 R12.5 billion was incorrectly classified as Admin and brokerage assets instead of as Other assets. 30 June 2022 has been restated accordingly.

NET FUNDS RECEIVED FROM CLIENTS[1]	Gross single inflows Rm	Gross recurring inflows Rm	Gross inflow Rm	Gross outflow Rm	Net inflow/ (outflow) Rm
12 mths to 30.06.2023					
Momentum Life	**794**	**9 738**	**10 532**	**(10 167)**	**365**
Momentum Investments	**35 775**	**951**	**36 726**	**(26 882)**	**9 844**
Metropolitan Life	**1 993**	**6 568**	**8 561**	**(6 412)**	**2 149**
Momentum Corporate	**4 264**	**14 441**	**18 705**	**(19 740)**	**(1 035)**
Momentum Metropolitan Health	**–**	**1 258**	**1 258**	**(810)**	**448**
Non-life Insurance	**3 113**	**12 133**	**15 246**	**(7 798)**	**7 448**
Momentum Metropolitan Africa	**878**	**4 033**	**4 911**	**(3 252)**	**1 659**
Life insurance business fund flows	**46 817**	**49 122**	**95 939**	**(75 061)**	**20 878**
Off-balance sheet fund flows					
Managed and/or administered by Investments			**89 326**	**(86 042)**	**3 284**
Properties – Eris Property Group			**1 477**	**(1 046)**	**431**
Momentum Wealth linked product assets under administration			**9 826**	**(12 562)**	**(2 736)**
Total net funds received from clients			**196 568**	**(174 711)**	**21 857**
12 mths to 30.06.2022					
Momentum Life	497	9 392	9 889	(11 250)	(1 361)
Momentum Investments	29 863	869	30 732	(27 035)	3 697
Metropolitan Life	1 789	6 450	8 239	(6 485)	1 754
Momentum Corporate	4 711	12 798	17 509	(19 917)	(2 408)
Momentum Metropolitan Health	–	1 186	1 186	(724)	462
Non-life Insurance	3 128	10 907	14 035	(6 373)	7 662
Momentum Metropolitan Africa	1 605	4 015	5 620	(3 418)	2 202
Life insurance business fund flows	41 593	45 617	87 210	(75 202)	12 008
Off-balance sheet fund flows					
Managed and/or administered by Investments			97 003	(99 080)	(2 077)
Properties – Eris Property Group			1 119	(90)	1 029
Momentum Wealth linked product assets under administration			13 289	(10 702)	2 587
Total net funds received from clients			198 621	(185 074)	13 547

1 Assets managed and/or administered, other than CIS assets, are included where an entity earns a fee on the assets. The total CIS assets are included in Momentum Collective Investments only as this is where the funds are housed. Non-financial assets (except properties) have been excluded.

ANALYSIS OF ASSETS BACKING SHAREHOLDER EXCESS	30.06.2023 Rm	30.06.2023 %	Restated 30.06.2022[1] Rm	Restated 30.06.2022[1] %
Equity securities	**1 416**	**5.3**	1 161	4.7
Preference shares	**342**	**1.3**	356	1.4
CISs	**1 094**	**4.1**	966	3.9
Debt securities	**7 369**	**27.5**	7 208	29.3
Properties	**4 209**	**15.7**	3 850	15.7
Owner-occupied properties	**2 505**	**9.3**	2 477	10.1
Investment properties	**1 704**	**6.4**	1 373	5.6
Cash and cash equivalents and funds on deposit	**13 149**	**49.1**	10 400	42.2
Intangible assets	**3 580**	**13.4**	4 617	18.8
Other net assets	**1 437**	**5.4**	2 646	10.9
	32 596	**121.8**	31 204	126.9
Redeemable preference shares	**(262)**	**(1.0)**	(252)	(1.0)
Subordinated redeemable debt	**(4 299)**	**(16.0)**	(5 327)	(21.6)
Treasury shares held on behalf of employees	**(773)**	**(2.9)**	(641)	(2.6)
Treasury shares held on behalf of contract holders	**(498)**	**(1.9)**	(407)	(1.7)
Shareholder excess per reporting basis	**26 764**	**100.0**	24 577	100.0

[1] Refer to note 12 for more information on the restatements.

NUMBER OF EMPLOYEES	30.06.2023	30.06.2022
Indoor staff	**10 058**	9 940
SA	**8 941**	8 867
International	**1 117**	1 073
Field staff	**5 933**	6 618
Momentum Life and Investments	**1 104**	1 430
Metropolitan Life	**3 497**	4 002
International	**1 332**	1 186
Total	**15 991**	16 558

Stock exchange performance

	30.06.2023	30.06.2022
12 months		
Value of listed shares traded (rand million)	**17 040**	15 944
Volume of listed shares traded (million)	**985**	885
Shares traded (% of average listed shares in issue)	**73**	62
Trade prices		
Highest (cents per share)	**2 010**	2 270
Lowest (cents per share)	**1 386**	1 405
Last sale of year (cents per share)	**1 806**	1 426
Percentage (%) change during year	**27**	(27)
Percentage (%) change – life insurance sector (J857)	**13**	(8)
Percentage (%) change – top 40 index (J200)	**18**	–
30 June		
Price/normalised headline earnings (segmental) ratio	**5.3**	5.0
Dividend yield % (dividend on listed shares)	**6.6**	7.0
Dividend yield % – top 40 index (J200)	**4.3**	3.8
Total shares issued (million)		
Ordinary shares listed on JSE	**1 425**	1 498
Treasury shares held on behalf of employees	**(45)**	(45)
Treasury shares held on behalf of contract holders	**(25)**	(29)
Basic number of shares in issue	**1 355**	1 424
Adjustment to employee share scheme[1]	**11**	7
Convertible redeemable preference shares	**28**	28
Diluted number of shares in issue	**1 394**	1 459
Adjustment to employee share scheme[1]	**(11)**	(7)
Treasury shares held on behalf of contract holders	**25**	29
Treasury shares held on behalf of employees	**45**	45
Diluted number of shares in issue for normalised headline earnings purposes[2]	**1 453**	1 526
Market capitalisation at end (Rbn)[3]	**26**	22

1 The diluted number of shares in issue includes the dilutive potential ordinary shares from the iSabelo employee scheme. The diluted number of shares in issue for normalised headline earnings does not include this adjustment as these shares are deemed to be issued.

2 The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares, and includes the treasury shares held on behalf of contract holders as well as the treasury shares held on behalf of employees.

3 The market capitalisation is calculated on the fully diluted number of shares in issue.

Administration

DIRECTORS

PC Baloyi (Chair), JC Marais (Cilliers) (Group Chief Executive), HP Meyer (Executive Director), RS Ketola (Group Finance Director), P Cooper, L de Beer, NJ Dunkley, T Gobalsamy, Prof SC Jurisich, AF Leautier, P Makosholo, P Matlakala, DJ Park, TD Soondarjee

GROUP COMPANY SECRETARY

Gcobisa Tyusha

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Simonis Storm Securities (Pty) Ltd

SENS ISSUE

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AUDITORS

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REGISTERED OFFICE

268 West Avenue, Centurion 0157

REGISTRATION NUMBER

2000/031756/06

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A2X CODE

MTM

NSX CODE

MMT

ISIN CODE

ZAE000269890

MOMENTUM METROPOLITAN LIFE LTD

(Incorporated in the Republic of South Africa)

REGISTRATION NUMBER

1904/002186/06

LEI

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COMPANY CODE

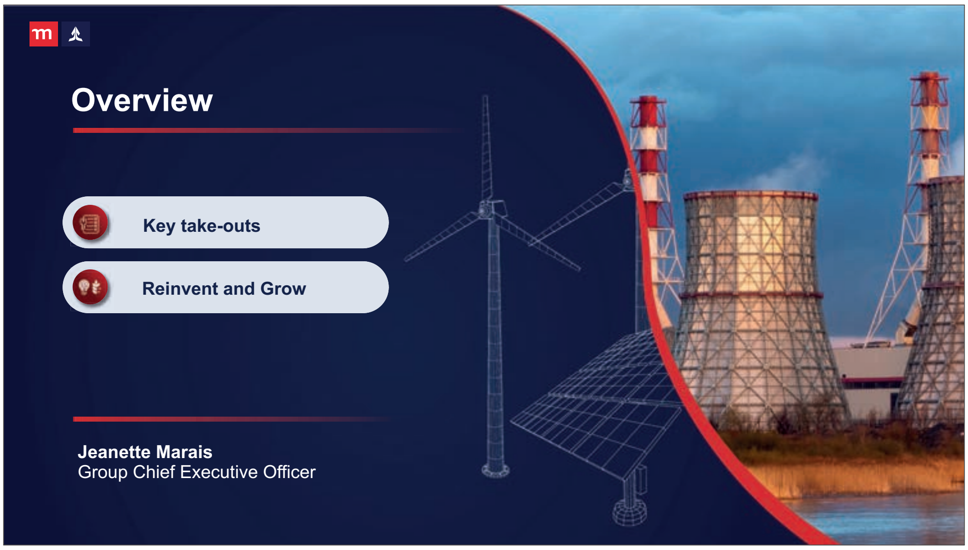
MMIG

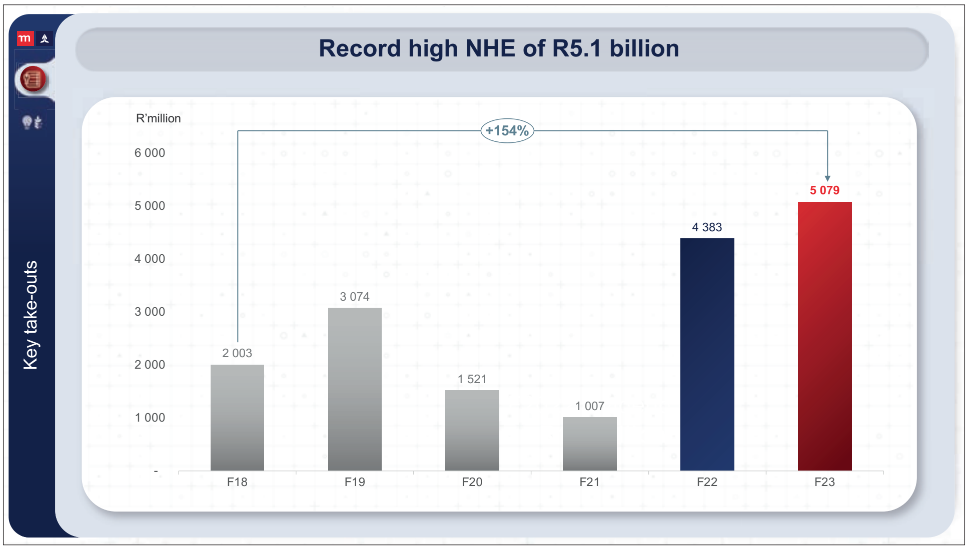
17044

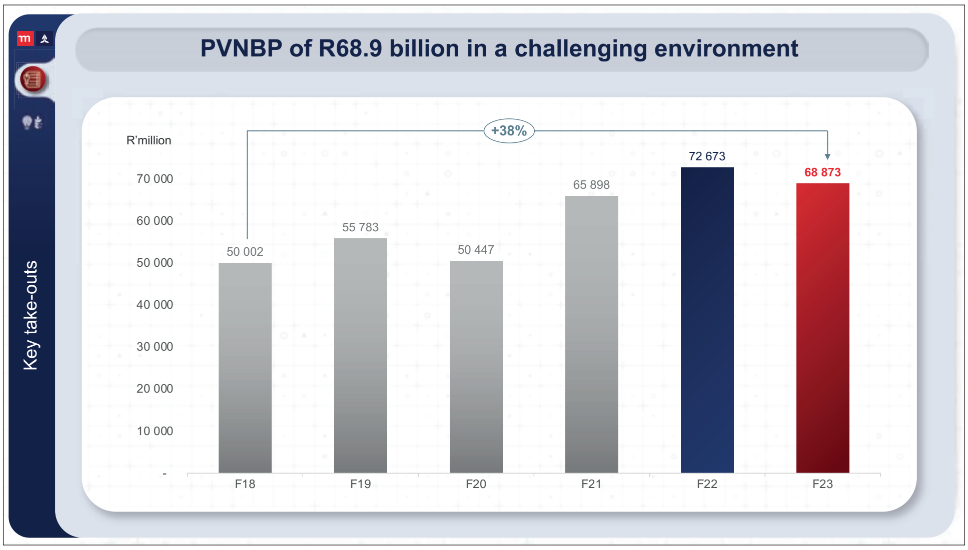
Results Presentation

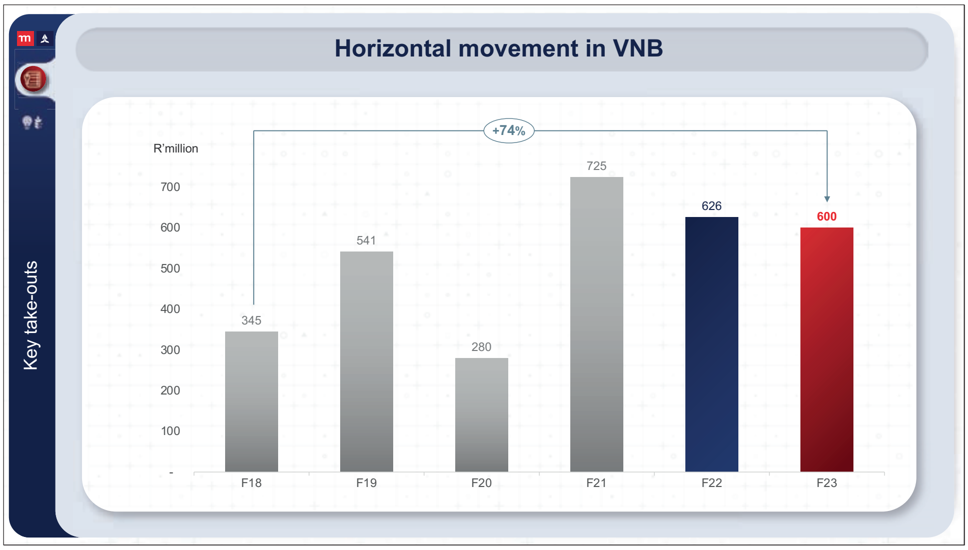
For the financial year ended 30 June 2023

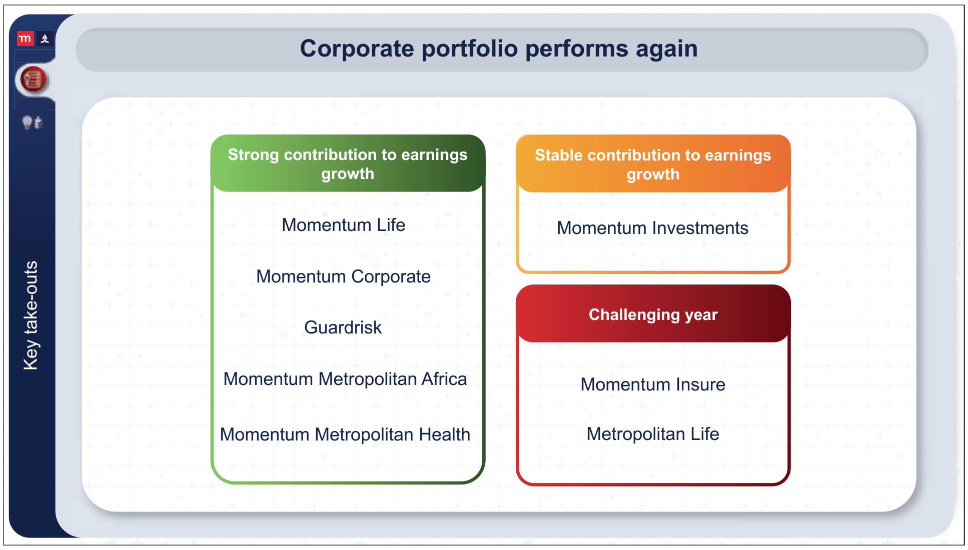

momentum
METROPOLITAN
Momentum Metropolitan
announces strong results
Shareholders benefit from increased dividends
and further share buybacks
momentum
momentum
multiply
METROPOLITAN
GUARDRISK
Eris

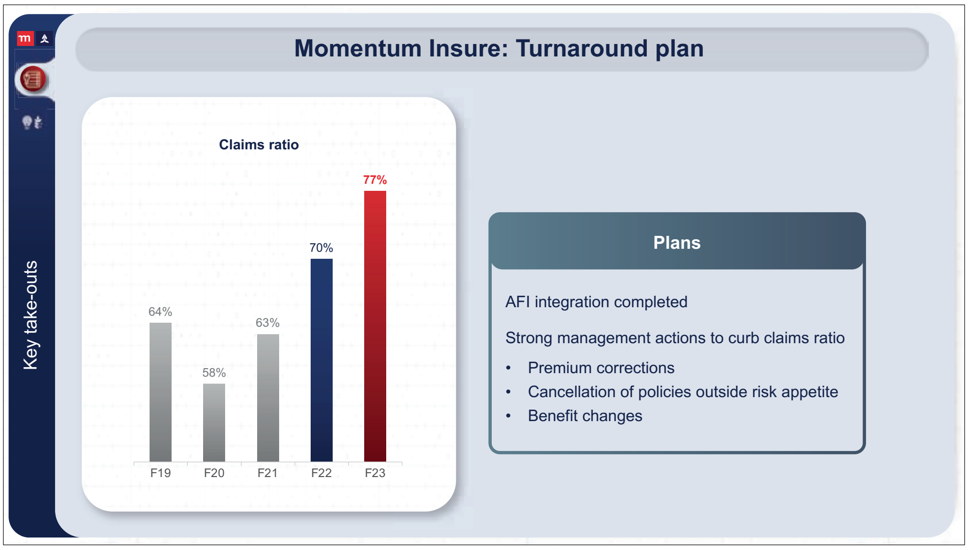

Overview
Key take-outs
Reinvent and Grow
Jeanette Marais
Group Chief Executive Officer

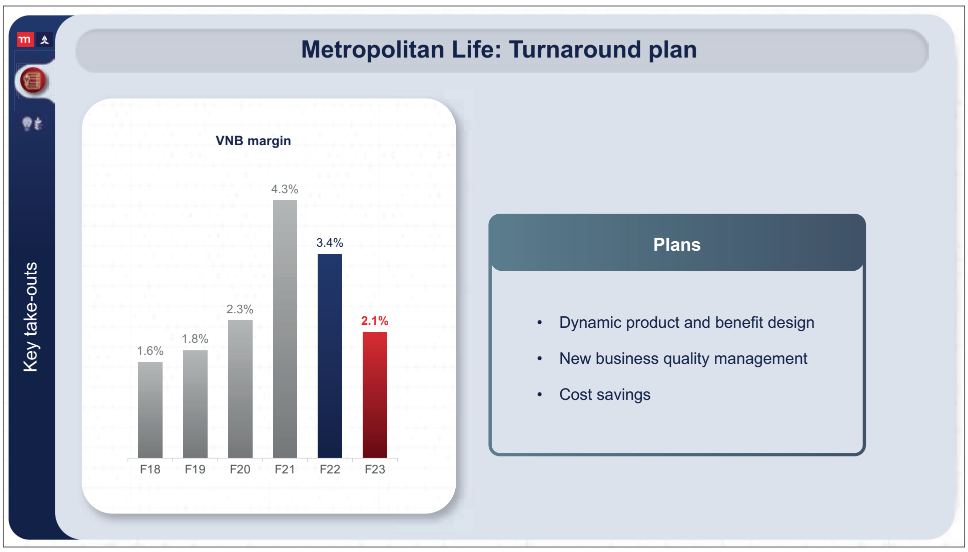

Record high NHE of R5.1 billion
Key take-outs
R'million
+154%
6 000
5 000
4 000
3 000
2 000
1 000
-
2 003
3 074
1 521
1 007
4 383
5 079
F18
F19
F20
F21
F22
F23


PVNBP of R68.9 billion in a challenging environment
Key take-outs
R'million
+38%
70 000
60 000
50 000
40 000
30 000
20 000
10 000
-
50 002
55 783
50 447
65 898
72 673
68 873
F18
F19
F20
F21
F22
F23

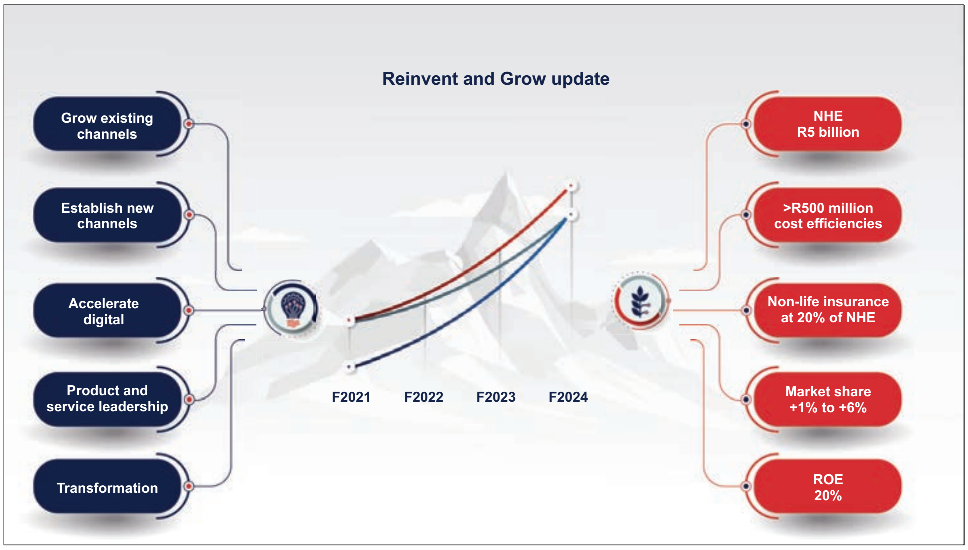

Horizontal movement in VNB
Key take-outs
R'million
+74%
700
600
500
400
300
200
100
-
345
541
280
725
626
600
F18
F19
F20
F21
F22
F23

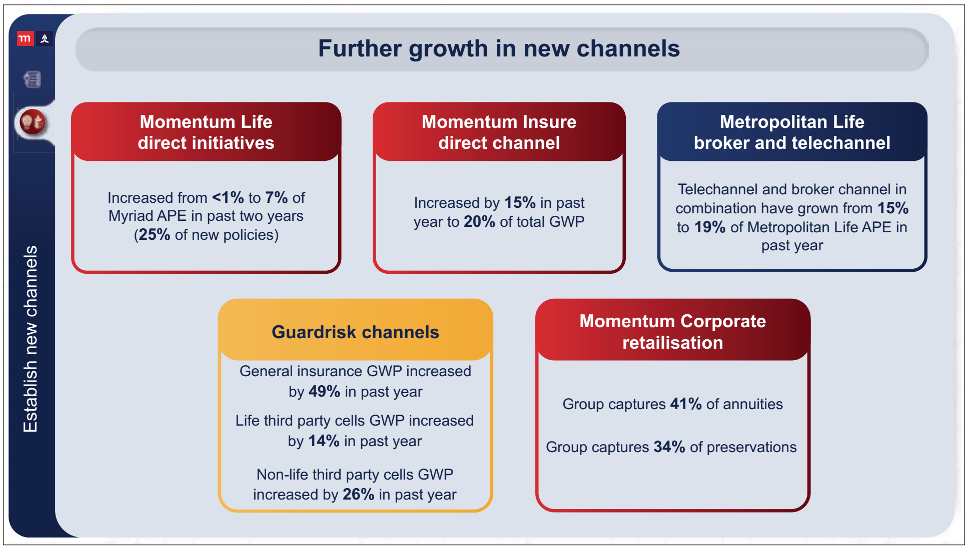

Corporate portfolio performs again
Key take-outs
Strong contribution to earnings growth
Momentum Life
Momentum Corporate
Guardrisk
Momentum Metropolitan Africa
Momentum Metropolitan Health
Stable contribution to earnings growth
Momentum Investments
Challenging year
Momentum Insure
Metropolitan Life

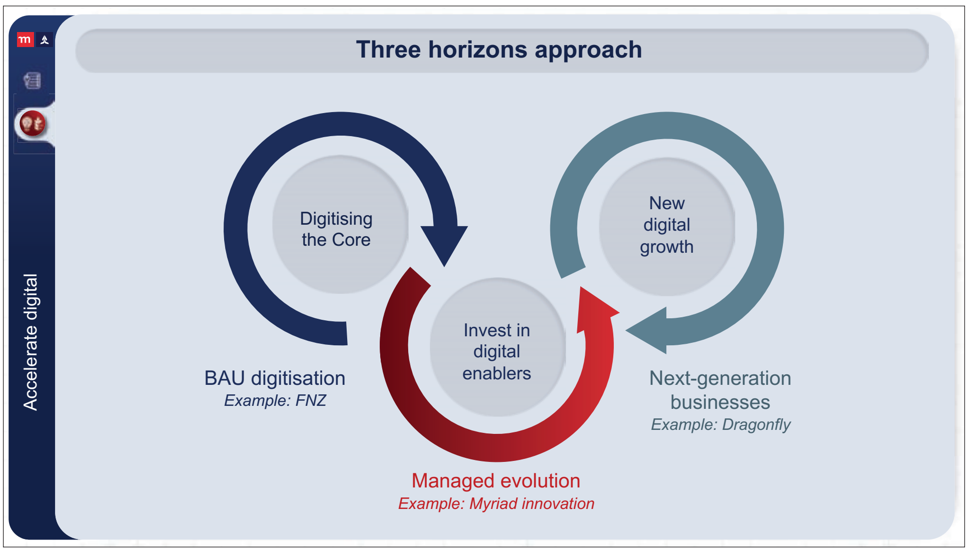

Key take-outs
Momentum Insure: Turnaround plan
Claims ratio
64%
58%
63%
70%
77%
F19
F20
F21
F22
F23
Plans
AFI integration completed
Strong management actions to curb claims ratio
• Premium corrections
• Cancellation of policies outside risk appetite
• Benefit changes


Key take-outs
Metropolitan Life: Turnaround plan
VNB margin
1.6%
1.8%
2.3%
4.3%
3.4%
2.1%
F18
F19
F20
F21
F22
F23
Plans
• Dynamic product and benefit design
• New business quality management
• Cost savings


Reinvent and Grow


Reinvent and Grow update
Grow existing channels
Establish new channels
Accelerate digital
Product and service leadership
Transformation
F2021
F2022
F2023
F2024
NHE R5 billion
>R500 million cost efficiencies
Non-life insurance at 20% of NHE
Market share +1% to +6%
ROE 20%


Establish new channels
Further growth in new channels
Momentum Life direct initiatives
Increased from <1% to 7% of Myriad APE in past two years (25% of new policies)
Momentum Insure direct channel
Increased by 15% in past year to 20% of total GWP
Metropolitan Life broker and telechannel
Telechannel and broker channel in combination have grown from 15% to 19% of Metropolitan Life APE in past year
Guardrisk channels
General insurance GWP increased by 49% in past year
Life third party cells GWP increased by 14% in past year
Non-life third party cells GWP increased by 26% in past year
Momentum Corporate retailisation
Group captures 41% of annuities
Group captures 34% of preservations


Accelerate digital
Three horizons approach
Digitising the Core
New digital growth
Invest in digital enablers
BAU digitisation
Example: FNZ
Next-generation businesses
Example: Dragonfly
Managed evolution
Example: Myriad innovation

Transformation

Improvement in Employment Equity ACI representation

Top Management
F2023: 36%
F2022: 36%
F2021: 36%

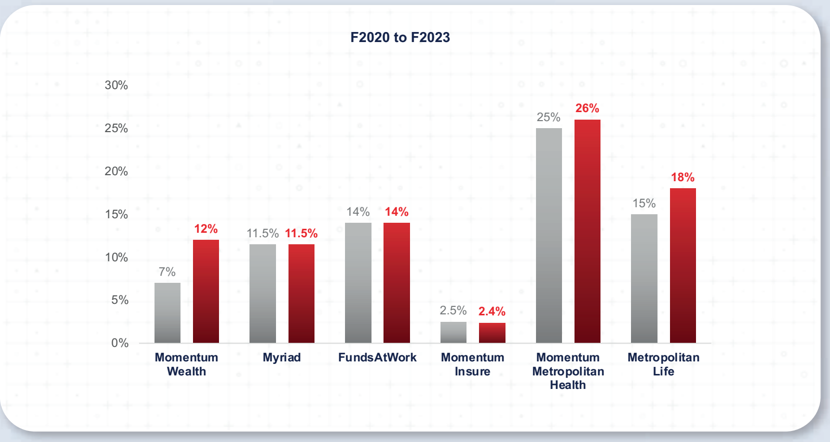
Senior Management
F2023: 44%
F2022: 39%
F2021: 36%

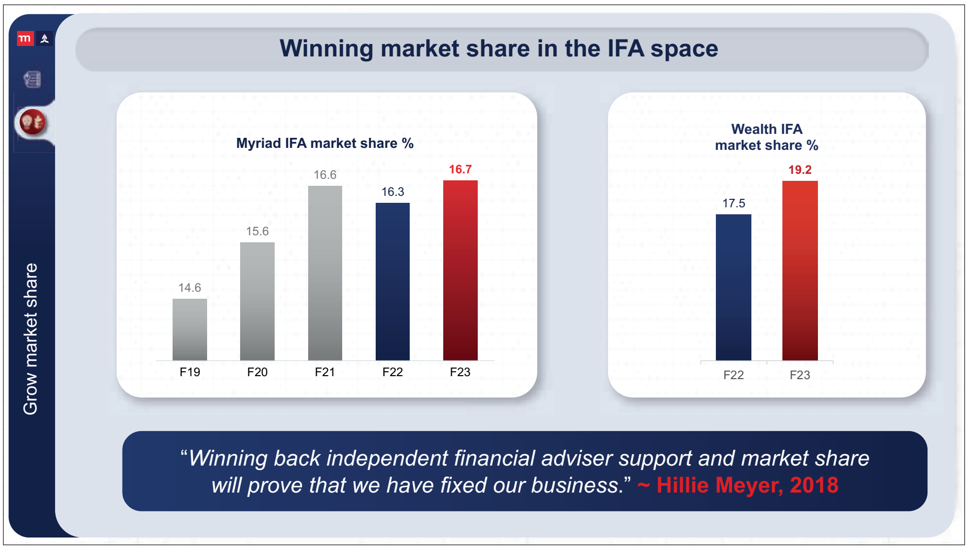
Middle Management
F2023: 47%
F2022: 45%
F2021: 42%

Junior Management
F2023: 85%
F2022: 85%
F2021: 84%

Grow market share

Overall market share of businesses




Winning market share in the IFA space
Grow market share
Myriad IFA market share %
14.6
15.6
16.6
16.3
16.7
F19
F20
F21
F22
F23
Wealth IFA market share %
17.5
19.2
F22
F23
"Winning back independent financial adviser support and market share will prove that we have fixed our business." ~ Hillie Meyer, 2018


Conclusion

Conclusion

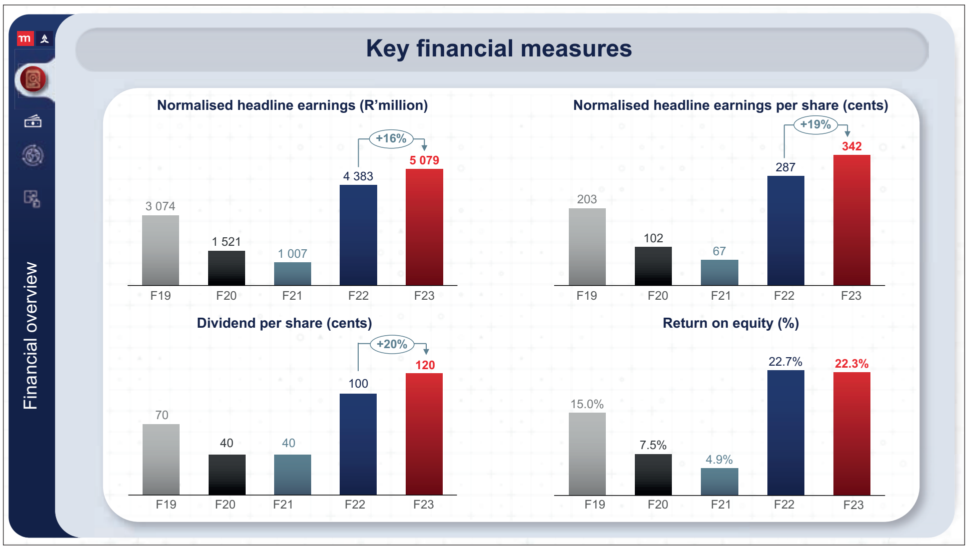
1 Significant value added to wide range of stakeholders.

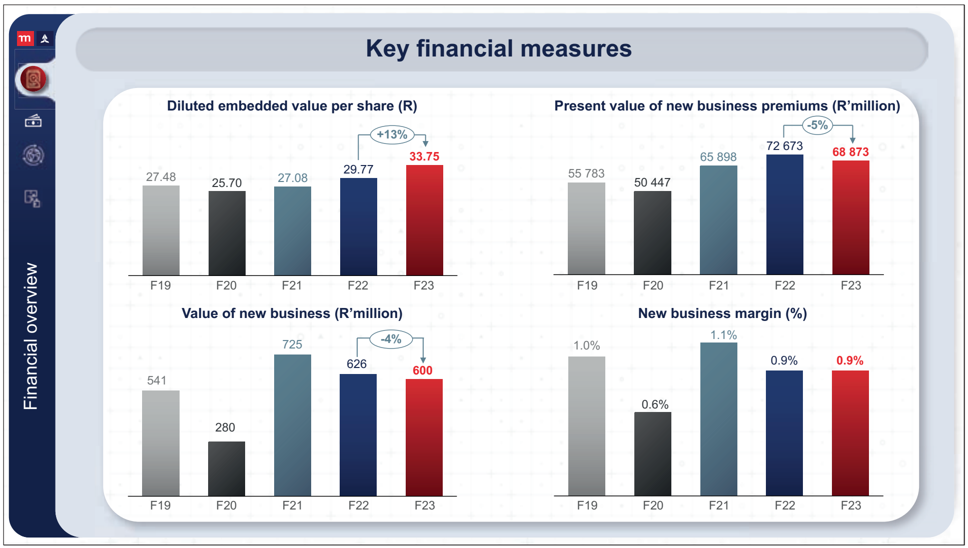
2 Continuing to focus on achieving F2024 Reinvent and Grow targets.

3 Strategic planning for beyond Reinvent and Grow has commenced.

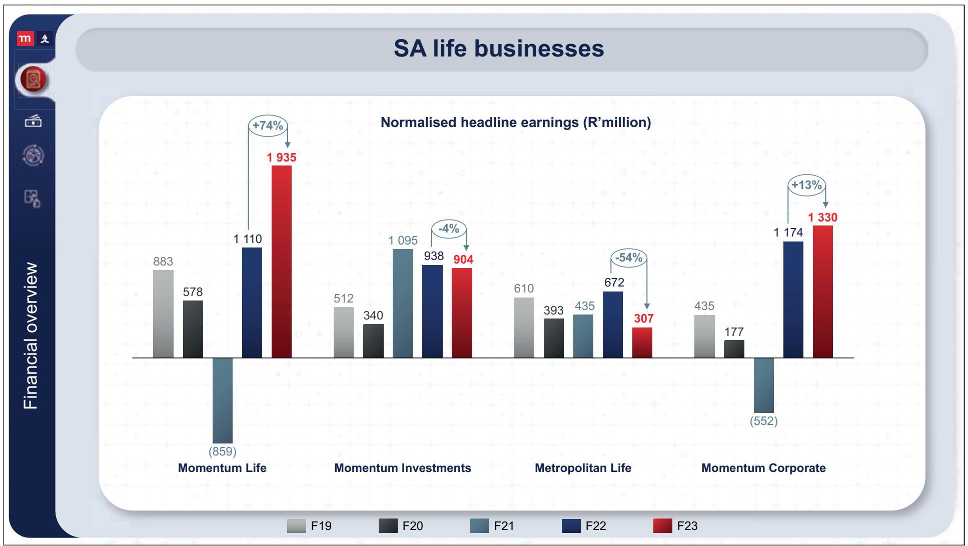
4 Changing of the guard.


Financial overview

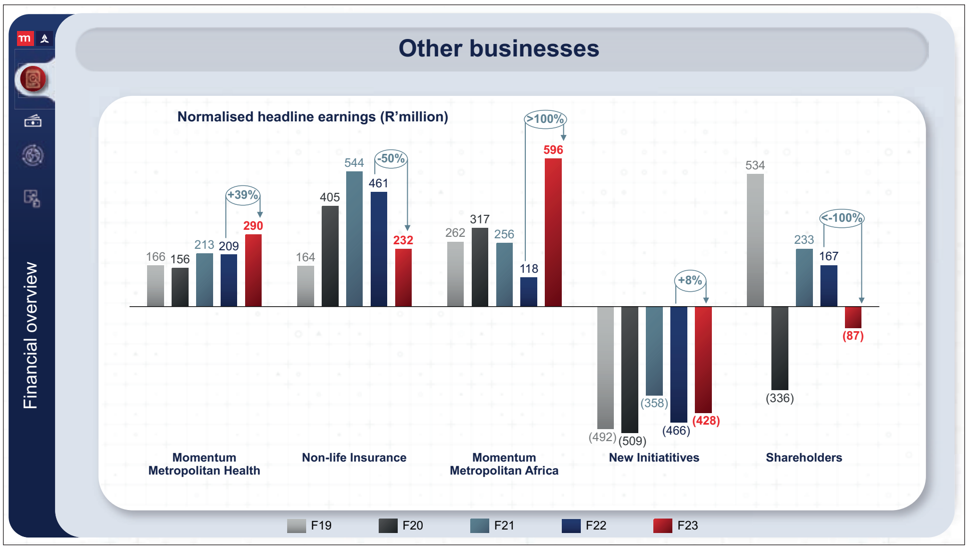

Key financial measures
Financial overview
Normalised headline earnings (R'million)
3 074
1 521
1 007
4 383
5 079
+16%
F19
F20
F21
F22
F23
Normalised headline earnings per share (cents)
203
102
67
287
342
+19%
F19
F20
F21
F22
F23
Dividend per share (cents)
70
40
40
100
120
+20%
F19
F20
F21
F22
F23
Return on equity (%)
15.0%
7.5%
4.9%
22.7%
22.3%
F19
F20
F21
F22
F23

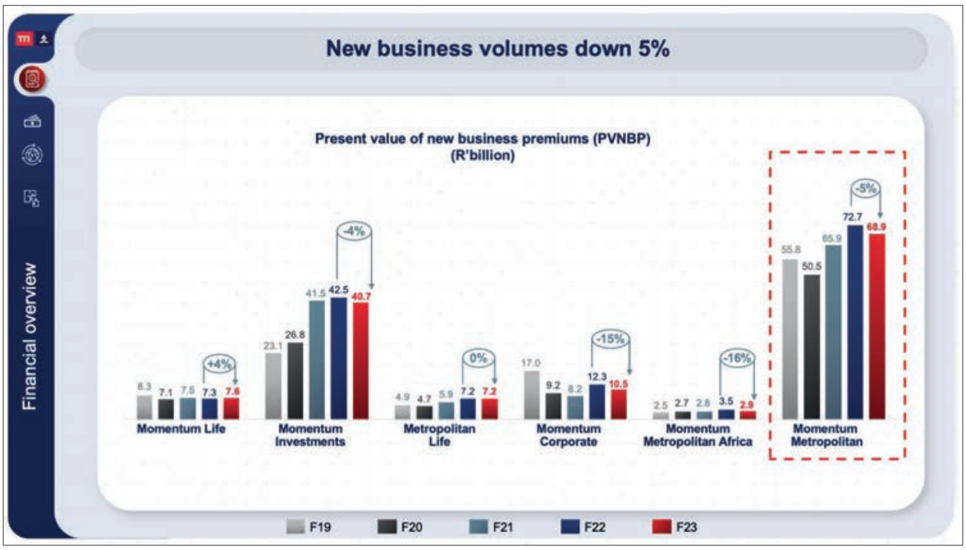


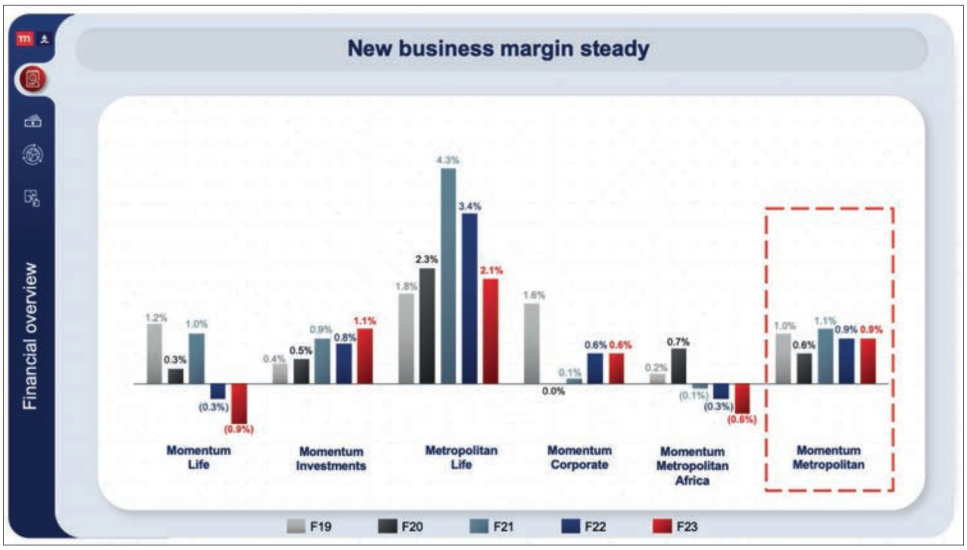
Key financial measures
Financial overview
Diluted embedded value per share (R)
27.48
25.70
27.08
29.77
+13%
33.75
F19
F20
F21
F22
F23
Present value of new business premiums (R'million)
55 783
50 447
65 898
72 673
-5%
68 873
F19
F20
F21
F22
F23
Value of new business (R'million)
541
280
725
626
-4%
600
F19
F20
F21
F22
F23
New business margin (%)
1.0%
0.6%
1.1%
0.9%
0.9%
F19
F20
F21
F22
F23

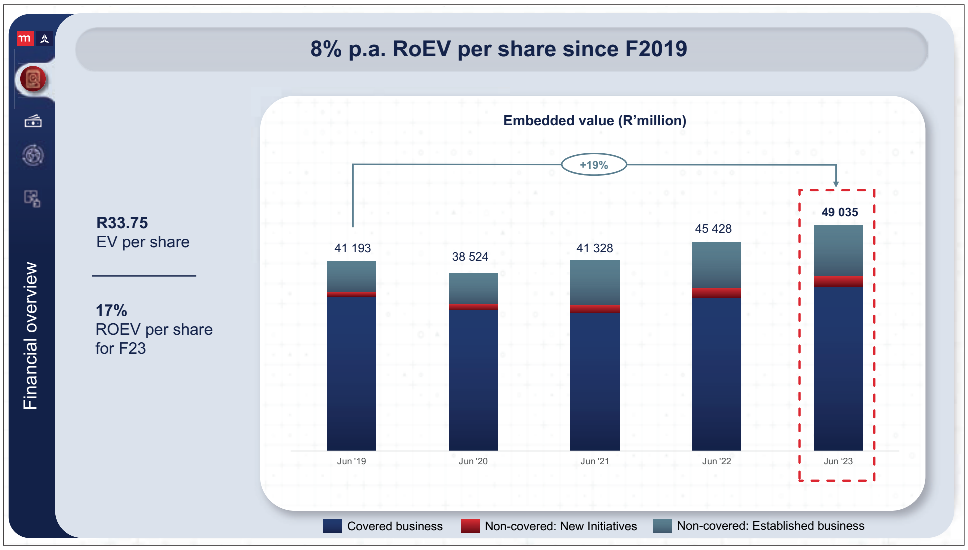


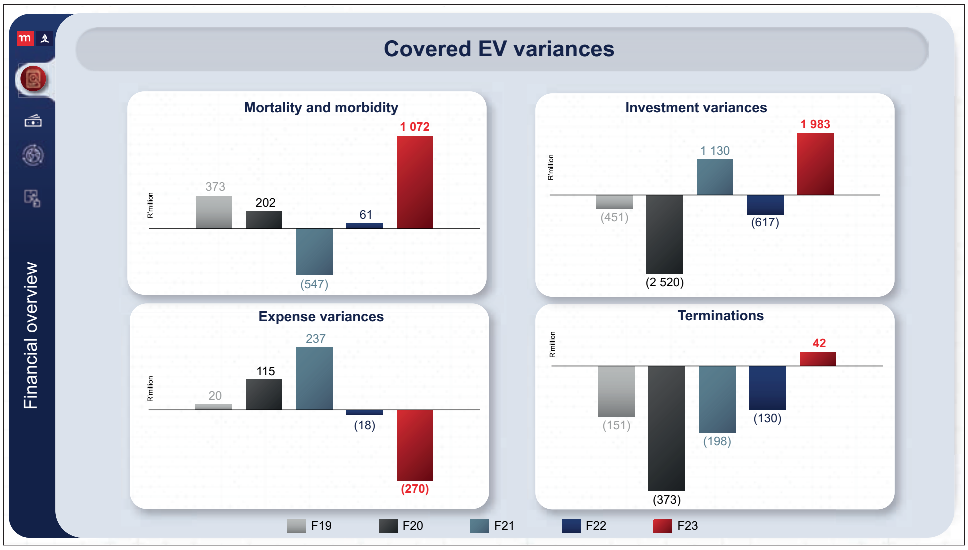
SA life businesses
Financial overview
Normalised headline earnings (R'million)
883
578
(859)
1 110
+74%
1 935
512
340
1 095
938
-4%
904
610
393
435
672
-54%
307
435
177
(552)
1 174
+13%
1 330
Momentum Life
Momentum Investments
Metropolitan Life
Momentum Corporate
F19
F20
F21
F22
F23

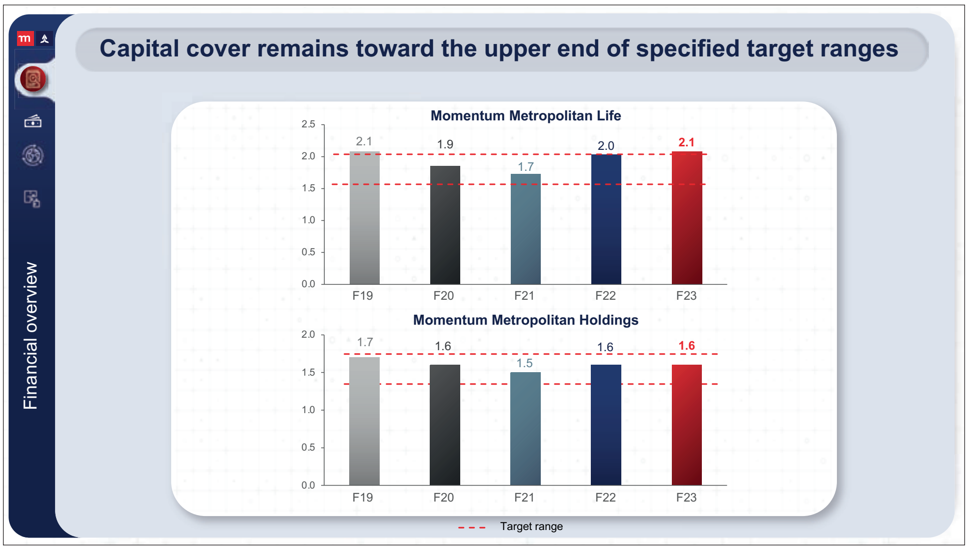

Financial overview
Other businesses
Normalised headline earnings (R'million)
166 156 213 209 290
+39%
164 405 544 461 232
-50%
262 317 256 118 596
>100%
(492) (509) (358) (466) (428)
+8%
534 (336) 233 167 (87)
<-100%
Momentum Metropolitan Health
Non-life Insurance
Momentum Metropolitan Africa
New Initiatitives
Shareholders
F19
F20
F21
F22
F23

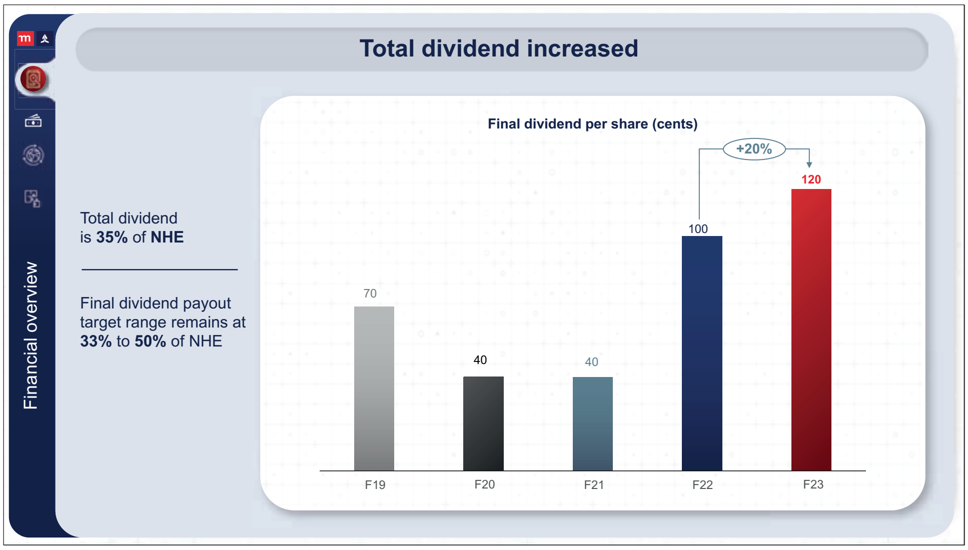

Financial overview
New business volumes down 5%
Present value of new business premiums (PVNBP) (R'billion)
8.3 7.1 7.5 7.3 7.6
+4%
23.1 26.8 41.5 42.5 40.7
-4%
4.9 4.7 5.9 7.2 7.2
0%
17.0 9.2 8.2 12.3 10.5
-15%
2.5 2.7 2.8 3.5 2.9
-16%
55.8 50.5 65.9 72.7 68.9
-5%
Momentum Life
Momentum Investments
Metropolitan Life
Momentum Corporate
Momentum Metropolitan Africa
Momentum Metropolitan
F19
F20
F21
F22
F23

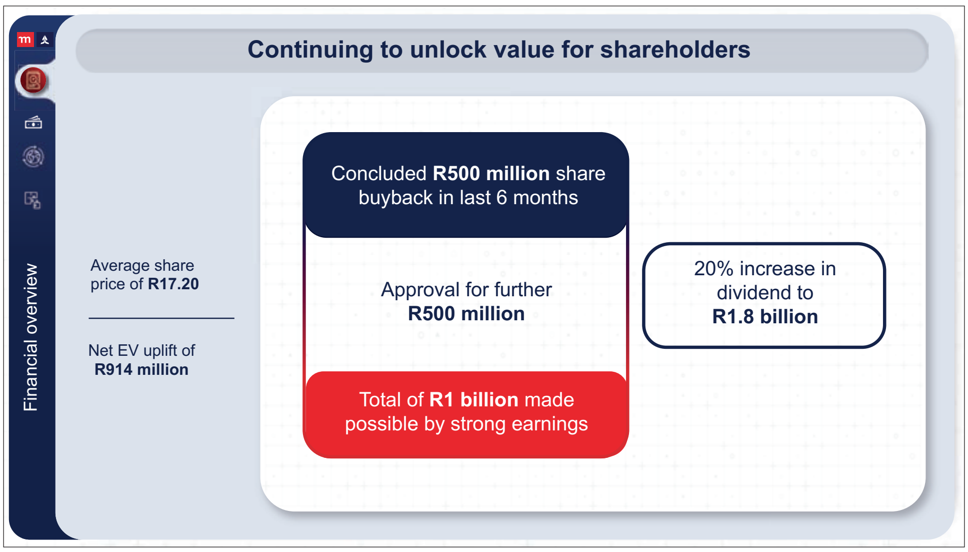

New business margin steady
Financial overview
Momentum Life
1.2%
0.3%
1.0%
(0.3%)
(0.9%)
Momentum Investments
0.4%
0.5%
0.9%
0.8%
1.1%
Metropolitan Life
1.8%
2.3%
4.3%
3.4%
2.1%
Momentum Corporate
1.6%
0.0%
0.1%
0.6%
0.6%
Momentum Metropolitan Africa
0.2%
0.7%
(0.1%)
(0.3%)
(0.6%)
Momentum Metropolitan
1.0%
0.6%
1.1%
0.9%
0.9%
F19
F20
F21
F22
F23


8% p.a. RoEV per share since F2019
Financial overview
R33.75
EV per share
17%
ROEV per share for F23
Embedded value (R'million)
+19%
41 193
38 524
41 328
45 428
49 035
Jun '19
Jun '20
Jun '21
Jun '22
Jun '23
Covered business
Non-covered: New Initiatives
Non-covered: Established business

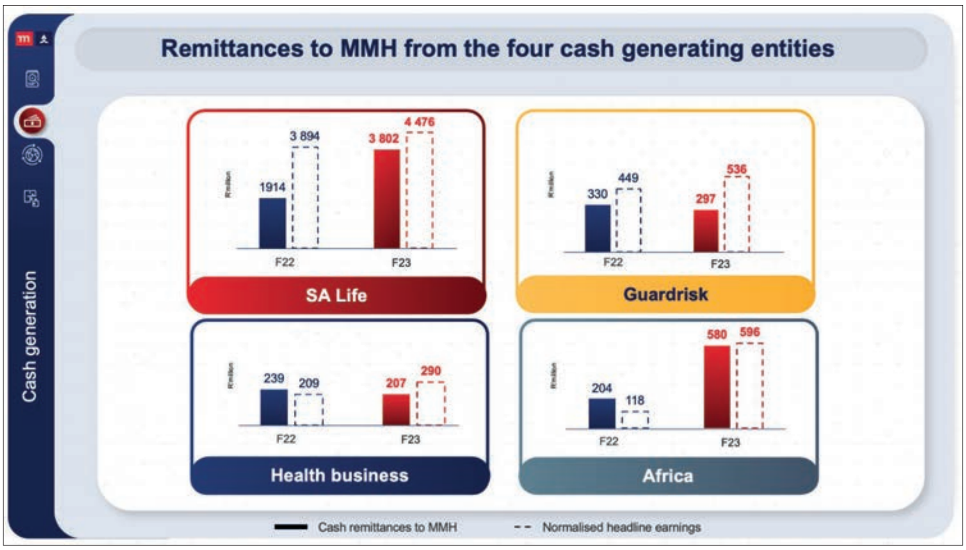

Financial overview
Covered EV variances
Mortality and morbidity
R'million
373
202
(547)
61
1 072
Investment variances
R'million
(451)
(2 520)
1 130
(617)
1 983
Expense variances
R'million
20
115
237
(18)
(270)
Terminations
R'million
(151)
(373)
(198)
(130)
42
F19
F20
F21
F22
F23


Financial overview
Capital cover remains toward the upper end of specified target ranges
Momentum Metropolitan Life
2.5
2.0
1.5
1.0
0.5
0.0
2.1
1.9
1.7
2.0
2.1
F19
F20
F21
F22
F23
Momentum Metropolitan Holdings
2.0
1.5
1.0
0.5
0.0
1.7
1.6
1.5
1.6
1.6
F19
F20
F21
F22
F23
Target range


Total dividend increased
Financial overview
Total dividend is 35% of NHE
Final dividend payout target range remains at 33% to 50% of NHE
Final dividend per share (cents)
+20%
70
40
40
100
120
F19
F20
F21
F22
F23


Continuing to unlock value for shareholders
Financial overview
Average share price of R17.20
Net EV uplift of R914 million
Concluded R500 million share buyback in last 6 months
Approval for further R500 million
Total of R1 billion made possible by strong earnings
20% increase in dividend to R1.8 billion


Cash generation


Remittances to MMH from the four cash generating entities
Cash generation
1914
3 894
3 802
4 476
F22
F23
SA Life
330
449
297
536
F22
F23
Guardrisk
239
209
207
290
F22
F23
Health business
204
118
580
596
F22
F23
Africa
Cash remittances to MMH
Normalised headline earnings

Strong cash generation in F2023

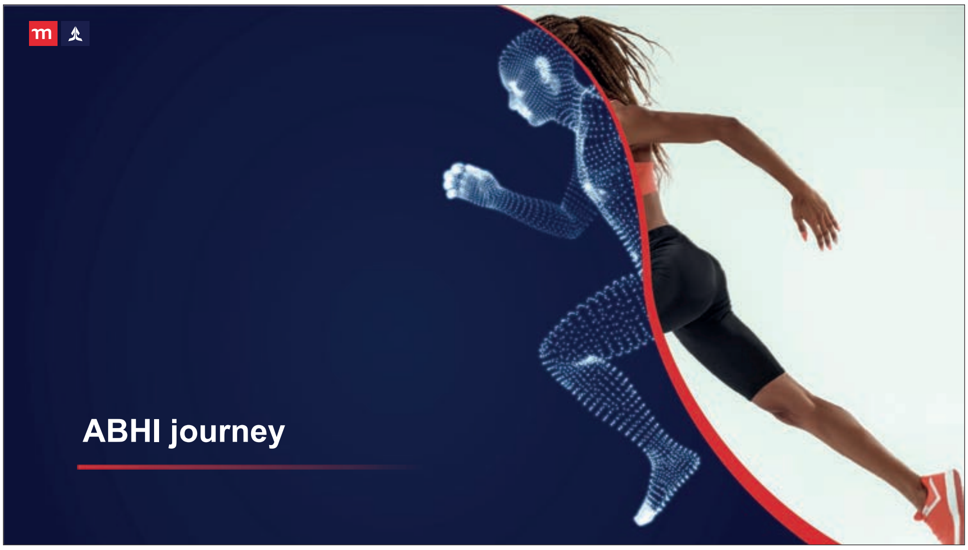
Cash generation

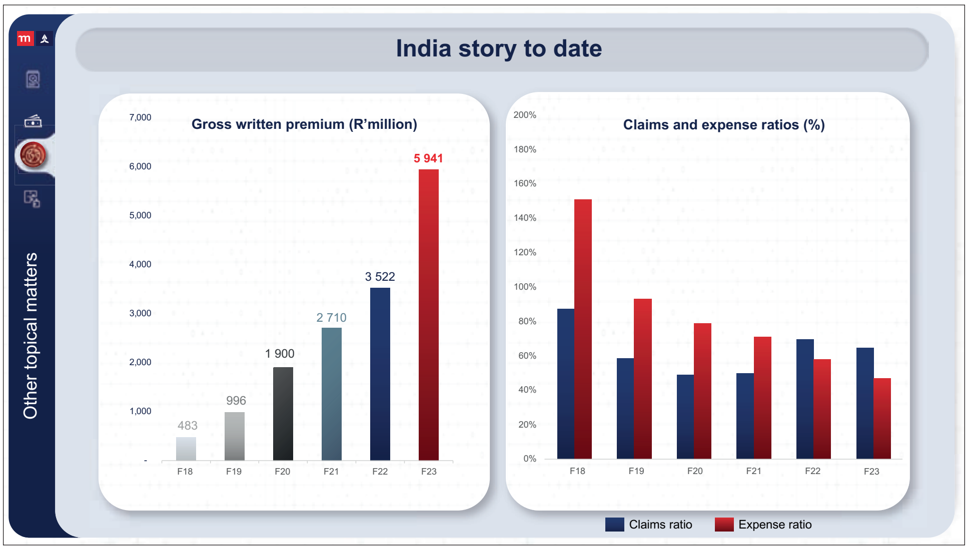
Net capital flow

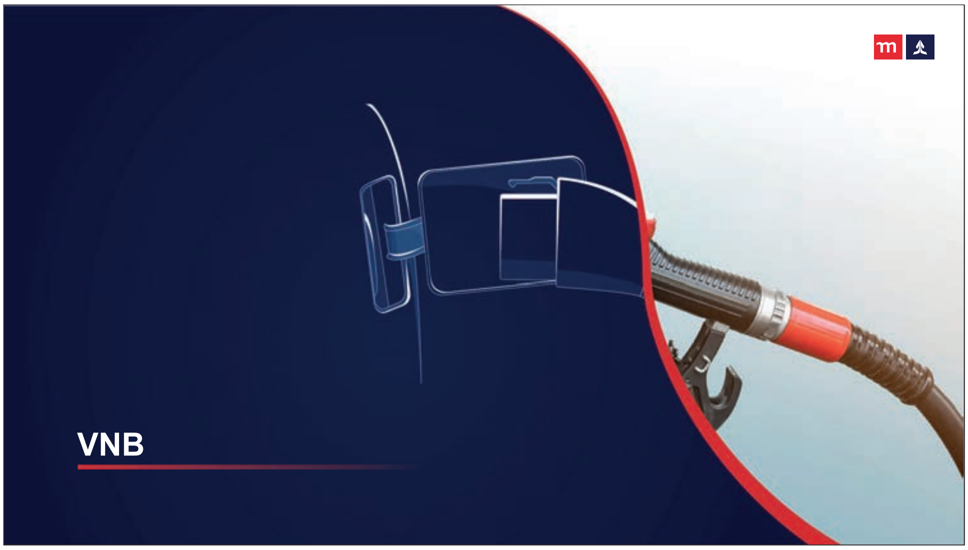
R'million	F2023	F2022
SA Life	3 802	1 914
Guardrisk	297	330
Health	207	239
Africa	580	204
M&A disposal	11	192
India	-	(433)
Momentum Insure	(580)	-
MM Finance company	(153)	-
Momentum Money	(160)	-
Other operations	(56)	62
Preference shares	(524)	(108)
Cash generated to MMH	**3 424**	**2 400**
Ordinary dividend	(1 816)	(1 498)
Net of dividend payment	**1 608**	**902**
Approved buyback	(1 000)	(750)
Net of buyback & dividend	**608**	**152**

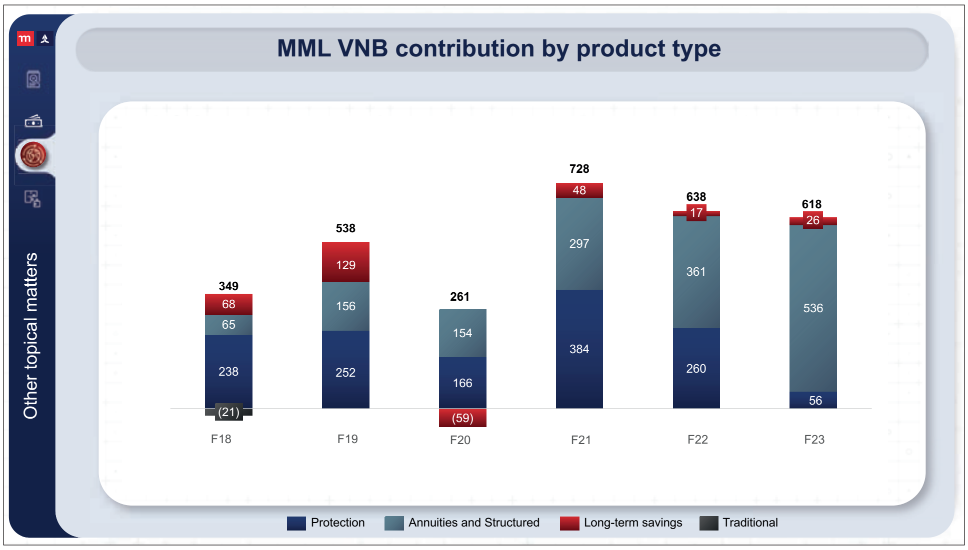
Other topical matters

1. ABHI journey
2. VNB
3. IFRS 17 Transition note

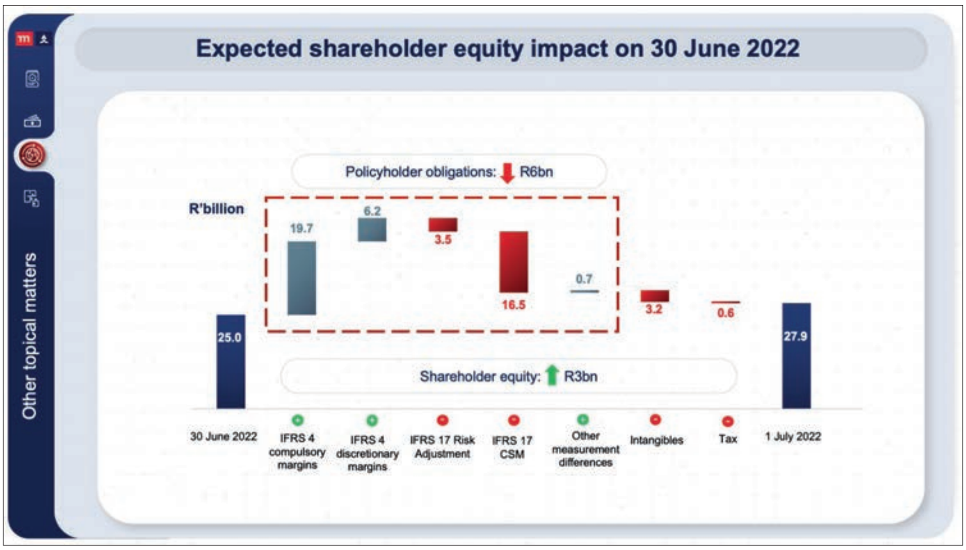

ABHI journey


India story to date
Other topical matters
Gross written premium (R'million)
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
483
996
1 900
2 710
3 522
5 941
F18
F19
F20
F21
F22
F23
Claims and expense ratios (%)
200%
180%
160%
140%
120%
100%
80%
60%
40%
20%
0%
F18
F19
F20
F21
F22
F23
Claims ratio
Expense ratio


VNB


MML VNB contribution by product type
Other topical matters
349
68
65
238
(21)
538
129
156
252
261
154
166
(59)
728
48
297
384
638
17
361
260
618
26
536
56
F18
F19
F20
F21
F22
F23
Protection
Annuities and Structured
Long-term savings
Traditional


IFRS 17


Expected shareholder equity impact on 30 June 2022
Policyholder obligations: R6bn
R'billion
19.7
6.2
3.5
16.5
0.7
3.2
0.6
25.0
27.9
Shareholder equity: R3bn
30 June 2022
IFRS 4 compulsory margins
IFRS 4 discretionary margins
IFRS 17 Risk Adjustment
IFRS 17 CSM
Other measurement differences
Intangibles
Tax
1 July 2022
Other topical matters

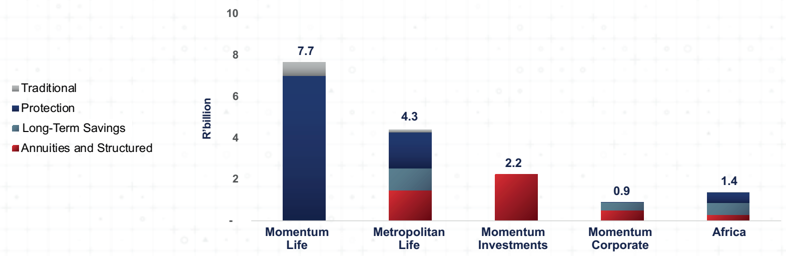
Other topical matters

Contractual Service Margin (CSM) on transition

Transition approaches 1 July 2022 R'billion	Fully retrospective approach	Fair value approach	Total
General measurement model	11.6	1.7	13.3
Variable fee approach	0.4	2.8	3.2
Total	**12.0**	**4.5**	**16.5**

Other topical matters

Opening CSM



Operating segment	Momentum Life	Metropolitan Life	Momentum Investments	Momentum Corporate	Africa
CSM (R'billion)	7.7	4.3	2.2	0.9	1.4
Expected 1-year release rate	14%	16%	11%	11%	16%

Conclusion

In conclusion

1. Underlying earnings evidence of solid progress in operations and on execution of our strategy.
2. Strong balance sheet and liquidity enables concurrent attractive dividends and a buyback.
3. Winning market share remains number one priority in current macro-environment.
4. My 3 top-of-mind issues; (1) embed IFRS 17 into everything, (2) margins on retail protection businesses, and (3) Insure underwriting actions.
5. Congratulations to our employees and thank you to our clients, advisers and Hillie.