

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

Company code: MMIG

("Momentum Metropolitan Life" or "MML")

Unaudited consolidated interim results for the six months ended 31 December 2020

Short-form announcement

	Basic			Diluted		
	1H2021	Restated 1H2020	Δ%	1H2021	Restated 1H2020	Δ%
Earnings (R million)	909	1 520	(40)%	909	1 539	(40)%
Headline earnings (R million)	809	1 465	(45)%	809	1 484	(45)%
Normalised headline earnings (R million) ¹				1 012	1 772	(43)%
Operating profit (R million) ²				890	1 286	(31)%
Investment return (R million)				22	486	(75)%
Earnings per share (cents)	62.8	104.5	(40)%	62.8	103.8	(39)%
Headline earnings per share (cents)	55.9	100.7	(44)%	55.9	100.1	(44)%
Normalised headline earnings per share (cents) ¹				67.6	118.2	(43)%
Interim dividend per share - March (cents)				25	40	(38)%
Present value of new business premiums (R million)				29 992	26 234	14%
Value of new business (R million)				334	160	>100%
Value of new business margin				1.1%	0.6%	
Diluted embedded value per share (R)				27.39	28.56	(4)%
Return on embedded value				13.2%	10.7%	
Return on embedded value per share				13.6%	10.6%	
Diluted number of shares in issue (million)				1 491	1 499	(1)%
Diluted weighted average number of shares (million)				1 498	1 499	-

¹ Normalised headline earnings adjust the standard 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, the amortisation of intangible assets arising from business combinations and B-BBEE costs. The adjustment for the impact of treasury shares removes mismatches that might arise from elimination of treasury shares (potential mismatches that are peculiar to financial institutions that invest in their own securities on behalf of clients). The definition of normalised headline earnings remains unchanged.

² Operating profit represents the profits (net of tax) that are generated from the Group's operational activities and reflects normalised headline earnings excluding the investment return on shareholder funds. Prior period numbers are reported for the first time.

Net asset value

R million	1H2021	Restated 1H2020	Δ%
Total assets	521 209	511 369	2%
Total liabilities	(497 861)	(486 956)	(2)%
Total equity	23 348	24 413	(4)%

Momentum Metropolitan's good operational performance dampened by Covid-19 second wave

Financial performance

Momentum Metropolitan delivered good operational results for the six months ended 31 December 2020, including good new business growth, but earnings were dampened by the second wave of the Covid-19 pandemic.

The Group's normalised headline earnings of R1 012 million for the first half of our F2021 financial year ("1H2021") represent a reduction of 43% compared to the prior period. The reduction was mainly caused by two significant items:

- An additional provision against possible Covid-19 related adverse experience. Mortality data from the South African Medical Research Council, indicates that recorded Covid-19 deaths are understating the full mortality impact of the pandemic. In line with the SAMRC data, our mortality claims experience to date has been more severe than our initial modelling. We therefore increased our Covid-19 provision by an additional R655 million (net of tax). This consists of R607 million for additional mortality claims across Momentum Life, Metropolitan Life and Momentum Corporate, R26 million for additional expense related to reinsurance cover for business interruption business in Guardrisk, and R22 million for additional persistency losses in Momentum Metropolitan Africa. The additional provision was in addition to a provision of R983 million (net of tax) that we set aside in the previous financial year. This Covid-19 provision related to potential increased mortality claims, increases in terminations, reduced return-to-work experience on disability income claims in payment, and business interruption claims.
- Investment return decreased by R364 million, a year-on-year decline of 75%. The decline was caused by a combination of factors, including lower yields on short dated instruments, a lower investable shareholder asset base following the acquisition of Alexander Forbes Insurance in February 2020, and weaker hedging performance on the Group's share scheme.

Excluding the additional Covid-19 provision, normalised headline earnings would have been 6% lower and operating profit 20% higher year-on-year. The growth in operating profit was supported by the Group's diversified financial services business model, with strong positive contributions from Momentum Investments, Metropolitan Life, Momentum Insurance and Momentum Metropolitan Africa.

Normalised headline earnings by business unit were as follows:

R million	1H2021	Restated ³ 1H2020	Δ%
Momentum Life	332	603	(45)%
Momentum Investments	440	282	56%
Metropolitan Life	328	416	(21)%
Momentum Corporate ⁴	(212)	308	<(100)%
Momentum Metropolitan Health ⁴	86	80	8%
Non-life Insurance	258	143	80%
Momentum Metropolitan Africa	304	208	46%
NHE from operating business units	1 536	2 040	(25)%
New Initiatives	(257)	(240)	(7)%
Shareholders	(267)	(28)	<(100)%
Normalised headline earnings	1 012	1 772	(43)%

The build-up of operating profit and investment return by business unit is shown in the following table:

R million	1H2021			Restated ³ 1H2020		
	Operating Profit	Investment return	Normalised headline earnings	Operating profit	Investment return	Normalised headline earnings
Momentum Life	274	58	332	474	129	603
Momentum Investments	460	(20)	440	271	11	282
Metropolitan Life	298	30	328	349	67	416
Momentum Corporate ⁴	(236)	24	(212)	255	53	308
Momentum Metropolitan Health ⁴	90	(4)	86	78	2	80
Non-life Insurance	241	17	258	115	28	143
Momentum Metropolitan Africa	190	114	304	56	152	208
Normalised headline earnings from operating business units	1 317	219	1 536	1 598	442	2 040
New Initiatives	(258)	1	(257)	(242)	2	(240)
Shareholders	(169)	(98)	(267)	(70)	42	(28)
Normalised headline earnings	890	122	1 012	1 286	486	1 772

In line with the 43% decline in normalised headline earnings, the Group's earnings per share declined by 40%, while headline earnings per share declined by 44%, impacted by the same factors.

³ Normalised headline earnings for the South African life insurance business units for 1H2020 have been restated. From F2021 investment return on excess assets of the South African life insurance business, which was previously reported in Shareholders, has been allocated directly to the operating business units, in proportion to the Solvency Capital Requirement of the covered operations in each business unit. The prior period's normalised headline earnings for each of these business units and Shareholders have therefore been restated. Momentum Metropolitan Africa is unaffected as the investment return on excess assets held in each of the countries, were already reported on in the business unit.

⁴ From F2021 Momentum Corporate and Momentum Metropolitan's health business have been reported on separately. These business units are operating independently from each other and this reporting change will enable the Group to provide improved reporting and commentary on both business units.

New business

Key new business metrics	1H2021	1H2020	Δ%
Recurring premiums (R million)	1 791	1 802	(1)%
Single premiums (R million)	21 597	16 831	28%
PVNBP (R million)	29 992	26 234	14%
Value of new business (R million)	334	160	>100%
New business margin	1.1%	0.6%	

New business volumes, as measured by the present value of new business premiums (“PVNBP”) increased by 14% to R30 billion and value of new business more than doubled to R334 million. Considering that the prior period results were achieved before Covid-19 impacted the Group’s results, the growth in the Group’s total PVNBP and value of new business is an excellent achievement.

- The growth in PVNBP for the 6 months was supported by Momentum Investments, which delivered solid growth in both guaranteed annuities and on the Momentum Wealth investment platform; Metropolitan Life, delivering double digit growth in protection new business, most notably in the higher margin funeral product range; and Momentum Metropolitan Africa, which also saw pleasing new business volume growth, driven by Corporate business in Lesotho, together with strong sales on retail protection business Namibia.
- The strong result for value of new business can be explained by the good recovery of new business volumes, excellent expense management across the Group and changes in the new business mix towards higher margin lines of business.
- New business margins improved significantly from 0.6% to 1.1%.

Embedded value

Group embedded value per share was R27.39 on 31 December 2020. The return on embedded value per share increased from 10.6% at 31 December 2019 to 13.6% at 31 December 2020, assisted by an improvement in investment markets and positive operating variances.

Solvency

The Group’s capital position remains strong and the regulatory solvency cover of Momentum Metropolitan Life, the Group’s main life insurance entity, strengthened to 1.95 times the Solvency Capital Requirement at 31 December 2020 (1.85 at 30 June 2020), despite the additional Covid-19 related provision.

Interim dividend declaration

The Group’s dividend policy is to declare ordinary dividends within a dividend cover range of 2.0 to 3.0 times normalised headline earnings on an annual basis.

Momentum Metropolitan declared an interim ordinary dividend of 25 cents per ordinary share in respect of the six months ended 31 December 2020, which translates to a dividend cover of 2.7 times normalised headline earnings. The dividend cover above the mid-point of the range is in line with the Group’s dividend policy.

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

The income tax number of Momentum Metropolitan is 975 2050 147.

Publication of declaration data	Thursday, 4 March 2021
Last date to trade cum-dividend	Tuesday, 23 March 2021
Trading ex-dividend	Wednesday, 24 March 2021
Record date	Friday, 26 March 2021
Payment date	Monday, 29 March 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 24 March 2021 and Friday, 26 March 2021, both days inclusive.

Operational highlights

- **Strengthened our distribution capability:** In December 2020, the number of independent financial advisers supporting Momentum branded retail products reached 2 000, while Metropolitan Life's tied advisers reached their highest level of productivity since the merger that created Momentum Metropolitan in 2010. These achievements are testament to our continued efforts to enhance our distribution capabilities are paying off.
- **Maintaining robust levels of capital and liquidity:** We remain focused on value creation for shareholders, while maintaining our strong capital position.
- **Sharing ownership with our people:** Momentum Metropolitan has successfully established its first broad-based employee share ownership programme, after receiving the requisite shareholder approval in November 2020. The programme is expected to be operationalised during the third quarter of F2021.
- **Rationalisation of Africa portfolio progressing well:** In December 2020, the sale of the business in Zambia was successfully completed and was followed in January 2021 by the completion of the sale of the business in Tanzania.

Outlook

The impact of the Covid-19 pandemic is felt in our personal lives and in our business. Over the last six months we have mourned the passing of some of our colleagues due to Covid-19, while many others have lost family and loved ones. We have also lost clients through the disease and know that many South Africans are in pain due to bereavement. As the Momentum Metropolitan family, we extend our sincere condolences as we remember those who have passed.

Considering the challenging economic environment, we are pleased by the strong growth in underlying operating profit that the Group reported, when excluding the impact of the additional Covid-19 related provision. We are also encouraged by the growth in new business we reported for the six months. This is testament to clients and intermediaries seeing value in the actions we took to revitalise our business as part of our Reset and Grow strategy. We believe that we continue to improve our competitive position in most retail market segments. Our continued strong new business performance confirms that the "Grow" initiatives of our strategy are having the desired impact of delivering sustainable growth over the long term, while maintaining robust levels of capital and liquidity.

Looking ahead, we remain cautious about the pace of economic recovery across our operations, as disposable income will remain under pressure because of depressed economic activity. The near-term trajectory of the economy's recovery will continue to be impacted by the presence of Covid-19 and continued uncertainty. It would be inappropriate to provide firm guidance on our F2021 earnings. However, we still estimate that in the absence of extraneous shocks, the underlying level of normalised headline earnings is around R800 million to R1,000 million per quarter.

The Group is on a solid financial footing and is well-positioned to adapt to the evolving needs of our clients. We are in the final stages of updating our strategy for the period beyond F2021 and we plan to host an investor conference on 4 May 2021 to communicate this strategy to the investor community.

We are navigating through this challenging period with a strong solvency position and with sufficient liquidity to withstand impacts from the continuously evolving environment. We will continue to invest in our core operations to take advantage of the opportunities for growth brought about by the current crisis. We thank our employees for their resilience and perseverance.

Short form statement

This announcement is the responsibility of the directors. The information in this short form announcement, including the financial information on which the outlook is based, has not been reviewed and reported on by Momentum Metropolitan's external auditors. Financial figures in this announcement have been correctly extracted from the condensed consolidated interim financial statements. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full SENS announcement accessible from Thursday 4 March 2021, via the JSE link and also available on the Group's website at <https://www.momentummetropolitan.co.za/en/investor-relations/financial-results>.

The condensed financial statements, can be found on the group website at www.momentummetropolitan.co.za. A printed copy of the full SENS announcement may also be requested from the Group Company Secretary's Office, Gcobisa Tyusha, Tel: +27 12 673 1931 or gcobisa.tyusha@mmltd.co.za and is available for inspection by appointment whilst observing the necessary Covid-19 restrictions, at the Company's registered office, weekdays Monday to Friday during office hours from 09:00 - 16:00.

The JSE link is as follows: <https://senspdf.jse.co.za/documents/2021/jse/isse/mtme/1H21Res.pdf>

SENS issue: 4 March 2021

Equity sponsor
Merrill Lynch SA (Pty) Ltd

Debt sponsor
Rand Merchant Bank (A division of FirstRand Bank Limited)