

2020

Operational Update

For the nine months ended 31 March 2020



Momentum Metropolitan Holdings Limited
(Formerly MMI Holdings Limited)
Incorporated in the Republic of South Africa
Registration number: 2000/031756/06
JSE share code: MTM
NSX share code: MMT
ISIN code: ZAE000269890
("Momentum Metropolitan" or "the Group")

Momentum Metropolitan Life Limited
(Formerly MMI Group Limited)
Incorporated in the Republic of South Africa
Registration number: 1904/002186/06
Company code: MMIG
("Momentum Metropolitan Life")

Operational update for the nine months ended 31 March 2020

Introduction

In our interim results for the six months ended 31 December 2019 that were published on 5 March 2020, Momentum Metropolitan reported on considerable progress with our three-year turn-around strategy. Our interim results highlighted the continued advancements made on the Reset and Grow strategy, such as increased support from independent financial advisers, winning back market share whilst keeping costs flat, expansion of our short-term business and double digit improvements in earnings.

When we published our interim results, the Coronavirus pandemic and Covid-19 disease had only started impacting South Africa directly, with the first known patient testing positive on the day. By 31 March 2020, we were only five days into the national lockdown, with 1 353 reported positive Covid-19 cases and five deaths as a result of the virus. However, news of the virus and its impact, which was evident in Asia and Europe, caused a sharp reaction in global financial markets during March.

These nine-month results thus include the full effect of the financial market events of March 2020, and these are discussed in detail later in this announcement. The impact of the Coronavirus pandemic on operations was, however, minimal and therefore largely absent from these financial results.

Momentum Metropolitan managed the operational impact of the pandemic as well as we could have hoped for. We were able to move more than 90% of our staff to work efficiently from their homes, resulting in service metrics remaining strong in April and policyholder persistency holding up well to date. The lockdown is obviously making it harder for our financial advisers and other distribution staff to engage in their usual sales practises. We thus experienced a noticeable drop in new business volumes in the month of April. We are also concerned that the recent positive persistency experience is unlikely to last if the anticipated economic recession is as severe as we predict. Assuming our economic view is accurate, the negative persistency experience will become evident in the second half of the 2020 calendar year as consumers' savings are depleted and as various temporary relief measures are withdrawn.

Momentum Metropolitan showed solid operational performance during the January to March 2020 quarter, slightly above the run-rate seen during the first six months of the financial year. Excluding negative investment variances in the life insurance business and other investment market related losses, earnings for the quarter were R947m. However, the investment market impact of March nullified the good operational performance and moved our normalised headline earnings for the quarter into a loss of R284m.

At the time of reporting, uncertainty still prevails about the likely path of the Coronavirus pandemic in terms of infections and possible impact on mortality experience across the general population. Similarly to published national statistics, we have seen a limited number of positive infections (via our medical schemes) to date and up to 17 May 2020 Momentum Metropolitan Life had twelve Covid-19 related claims (five death claims and seven income protection claims).

While the health implications of the Coronavirus remain uncertain, the impact of the lockdown regulations on the economy is becoming increasingly tangible. Momentum Metropolitan takes its role as a corporate citizen seriously, and we are playing an active role, through industry associations such as ASISA and through direct engagement with public sector decision makers, to highlight the importance of a strong economy on the general welfare of all South Africans. We support the position taken by ASISA and BUSA, among others, that call for a more pragmatic and expedited approach to re-opening the economy. This approach, when combined with social distancing measures and high standards of personal hygiene, is likely to have the optimal net effect on health outcomes when measured over the medium term.

Impact of the Covid-19 pandemic on the Group

Business continuity

Momentum Metropolitan is fully operational across all its business units and continues to serve clients during this uncertain time. Insurers have been classified as an essential service by the South African government. This has allowed selected employees of the Group to operate from the office environment. We have nevertheless enabled most of our employees to work from home.

The Group had business continuity plans in place for dealing with a possible crisis before the pandemic broke out, and the activation of these plans led to minimal disruption in the Group's operations. There has been only a modest cost associated with enabling an effective work-from-home environment for employees, e.g. increased computer software license fees and data costs.

Society and community support

Momentum Metropolitan has contributed to the Solidarity Fund to support the fight against Covid-19. The Momentum Metropolitan Foundation leveraged their existing youth employment partnerships to make food, water and testing for Covid-19 available in vulnerable communities. The Foundation also made emergency funding available to, among others, the Red Cross and UNICEF.

In addition, the Group has entered a partnership with South African non-profit organisation Gift of the Givers to establish a drive-through Covid-19 testing facility at its Cape Town regional office in Bellville. This facility alleviates some of the pressure that has been placed on healthcare facilities. The Group made a Covid-19 helpline available that is free to all South Africans through Hello Doctor, our 24/7 medical doctor-on-call service providing access to more than 140 doctors on standby to call clients in need of assistance back.

The Group CEO of Momentum Metropolitan heeded the President's call and pledged to forego a third of his salary for three months and donate it to the Solidarity Fund.

Assistance to clients

All the business units in Momentum Metropolitan have implemented initiatives to assist clients during the crisis. The initiatives are focused on helping clients with affordability concerns and include:

- In Momentum Life, the Myriad protection product range offers clients the opportunity to pause their premiums and cover, with guaranteed insurability following the pause period. An ex-gratia death cover of 20%, up to a maximum of R3 million, will remain in place during the pause period;
- On the Investo savings product, flexibility of the existing contribution holiday feature was improved, while alteration fees have been lowered;

- Momentum Multiply adjusted the criteria for Active Dayz to ensure that members do not lose out as a result of being inactive during lockdown and enhanced cashbacks on retail and pharmacy partners;
- Most funeral policies in Metropolitan Life allow for policyholders to skip up to four monthly premiums before cover lapses;
- Momentum Corporate supports clients through group retirement fund contribution payment relief options and group insurance clients have been granted a two-month grace period in which to pay premiums;
- Momentum Health now allows members to pay their medical aid premiums from their HealthSaver accounts. Three-month contribution and benefit holidays are allowed, and digital execution (for example pre-authorisations and digital onboarding) has been enhanced;
- Momentum Short-term Insurance (“MSTI”) implemented client support measures such as premium rebates, premium and cover pause options, downscaled cover and accelerated access to no-claims bonuses to ease the financial burden;
- Alexander Forbes Insurance (“AFI”) provides product relief via excess waivers and premium discounts.

Solvency

At 31 December 2019, Momentum Metropolitan Life had regulatory solvency cover of 2.2 times the Solvency Capital Requirement (“SCR”). Through a combination of the payment of an interim dividend and the AFI acquisition, as well as the recent falls observed in investment markets, the regulatory solvency cover of Momentum Metropolitan Life reduced to 2.0 times SCR as at 31 March 2020. Momentum Metropolitan Life thus remained well capitalised, even at the height of the drop in investment markets.

Momentum Metropolitan offers discretionary participation products (mainly smoothed bonus) to corporate and retail clients. These products offer a more stable return over time through bonus declarations based on past and expected future investment returns. As at 31 March 2020 the liabilities in these portfolios amounted to R10 billion in Momentum Life and Momentum Investments, R23 billion in Metropolitan Life and R15 billion in Momentum Corporate, which represent about 15% of total liabilities. The funding level of the majority of the smoothed bonus portfolios across Momentum Life and Metropolitan Life was between 80% and 95%, while the funding level of most of the Momentum Corporate portfolios was between 80% and 90%. The partial recovery of the investment market during April and May 2020 has already significantly improved funding levels.

Liquidity

Momentum Metropolitan has a robust liquidity management process in place for unexpected events. Various liquidity drivers that lead to possible margin calls are quantified, stressed, and projected. Having sufficient liquidity buffers to fund cash calls under even the more extreme scenarios, enabled the Group to navigate through the market crisis in March without liquidity concerns. From a liquidity perspective the Group is well positioned to deal with the volatility and liquidity stresses experienced in the market.

Operating experience

As at 31 March 2020, the number of Covid-19 cases across the markets in which we operate was still low and had not impacted the Group’s mortality experience. We continue to monitor the progression of infection and impact of COVID-19 on mortality rates.

Our health business is monitoring the hospitalisation claims experience and has observed a slowdown in admissions due to elective procedures being postponed or cancelled, as well as lower trauma and accident incidents.

The economic impact of the pandemic and resulting lockdown on our clients have not yet manifested in the results to 31 March 2020. Lapse rates have remained stable across the life insurance operations in April, but the number of clients making use of the client relief measures we offer, have steadily increased. We do expect that reduction in client disposable income will increase the risk of higher lapses in the medium term.

Financial results

The nine-month results to 31 March 2020 already reflect the negative impact of financial market movement on our reported financial results. Considering the extent of the volatility and decline in markets in March 2020, we do not foresee earnings being negatively affected to the same extent in subsequent quarters. However, investors should be aware of the following items that could place further pressure on various financial measures:

- With the reduction in short-dated interest rates, we expect to earn lower investment returns on the assets backing the shareholder capital and on assets backing short-duration liabilities such as claims reserves in short-term insurance operations;
- We believe that we could see increased credit defaults from debt issuers and the financial impact of these defaults, net of recoveries, could exceed what is implied by the current credit spreads;
- It is likely that we will see declining new business volumes across most business units as a result of the impact of social distancing and national lockdowns on our largely face-to-face financial advice distribution channels, as well as affordability constraints resulting from the general economic slowdown;
- Weaker persistency experience could emerge across all business units when the weaker economy starts to impact client affordability and levels of unemployment;
- While we currently expect only a modest increase in mortality claims experience across life insurance protection products, it is important to note that there remains significant uncertainty around how the Coronavirus pandemic will ultimately develop in South Africa.

Consolidated Group financial performance

The Group delivered normalised headline earnings¹ of R1.5 billion for the nine months, which includes a loss of R0.3 billion for the last quarter. Considering the level of uncertainty created by the Coronavirus pandemic and the financial market volatility, we have decided to expand the financial reporting beyond what we usually disclose in our quarterly operational update.

Over the nine-month period basic earnings per share and basic headline earnings per share declined by 44% to 72.2 cents and 76.9 cents respectively.

Normalised headline earnings (“NHE”) by business unit

Normalised headline earnings by business unit are shown below:

R million	1Q	2Q	3Q	3Q2020	3Q2019	Δ%
Momentum Life	247	236	(35)	448	668	(33)%
Momentum Investments	152	118	3	273	380	(28)%
Metropolitan Life	155	194	(39)	310	480	(35)%
Momentum Corporate	139	196	133	468	484	(3)%
Non-life Insurance	83	60	120	263	213	23%
Momentum Metropolitan Africa	128	80	(167)	41	206	(80)%
NHE from operating segments	904	884	15	1 803	2 431	(26)%
New Initiatives	(134)	(106)	(136)	(376)	(348)	(8)%
Shareholders	112	112	(163)	61	352	(83)%
Normalised headline earnings	882	890	(284)	1 488	2 435	(39)%

The normalised headline earnings loss in the quarter can be attributed mainly to the declining investment markets during March 2020. The impact is most visible in the life insurance entities across the Group. The financial market impact is visible in negative investment variances on life insurance savings business, unrealised losses stemming from relative movements in the bond and swap curves used to value annuity portfolios, increased implied volatility requiring us to hold higher guarantee reserves, and lower investment returns on assets backing shareholder assets. Consistent with the substantial decline in listed equity valuations, we have also adjusted downwards the fair values on many of our unlisted investments such as our various Fintech investments.

If the impact of the investment markets were removed, normalised headline earnings for the quarter would amount to R0.9 billion, broadly in line with the level of quarterly profits observed in the first two quarters of F2020. This result was supported by a significant improvement in Momentum Corporate’s underwriting result compared to the prior year. Momentum Metropolitan’s health business (reported with Momentum Corporate) also delivered good quarterly earnings growth due to increased membership in the public sector and active expense management. Non-life Insurance results were boosted by strong earnings from Guardrisk and a maiden contribution from AFI.

¹ Normalised headline earnings is our primary earnings metric. It adjusts the standard definition of headline earnings for the impact of treasury shares, the amortisation of intangible assets arising from business combinations and BEE costs. The first adjustment 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 remained unchanged.

Financial market impact on normalised headline earnings

The table below shows the attribution of financial market related negative variances, fair value losses, and asset-liability management (“ALM”) losses by business unit. It should be noted that the majority of these losses are unrealised in nature and could reverse in due course if financial markets recover.

F2020 quarterly NHE	1Q	2Q	3Q		
R million			Earnings from operations	Market impact²	Normalised headline earnings
Momentum Life	247	236	112	(147)	(35)
Momentum Investments	152	118	162	(159)	3
Metropolitan Life	155	194	178	(217)	(39)
Momentum Corporate	139	196	272	(139)	133
Non-life Insurance	83	60	120	-	120
Momentum Metropolitan Africa	128	80	124	(291)	(167)
NHE from operating segments	904	884	968	(953)	15
New Initiatives	(134)	(106)	(128)	(8)	(136)
Shareholders	112	112	108	(271)	(163)
Normalised headline earnings	882	890	947	(1 231)	(284)

Within the R1.2bn investment markets impact column, some of the largest individual factors are:

- The decline in equity markets reduced normalised headline earnings by nearly R800 million for the quarter. Part of this loss represents loss of fee income for the period (including substantial “negative fees” on the 90:10 book of business), as well as the requirement to increase our guarantee reserves for policies where investment return guarantees are provided (these are mainly provided on smoothed bonus business).
- Increase in observed implied volatilities in the options market resulted in us similarly increasing the volatility assumption in our guarantee reserve modelling. This had a negative impact of more than R400 million on normalised headline earnings.
- Changes in the shape of the yield curve (the yield curve steepened significantly) and the widening difference between the swap curve and the government bond curve had a negative impact on normalised headline earnings of approximately R300 million for the quarter.
- Fair value losses, including the fair value adjustments to unlisted investments, contributed roughly R200 million to the losses for the quarter.
- There were also some variables that generated a positive market impact totalling approximately R500 million; the largest among these were gains from rising real yields observed during the quarter. It should also be noted that there were no credit defaults during the quarter and listed credit spreads only started to widen after 31 March 2020. As such the credit variance for the past quarter was still positive.

² The market impact for 3Q of F2020 includes the investment variances in the quarter on the life insurance business, as well as impacts from foreign exchange movements. In Shareholders it includes excess investment return and fair value gains and losses from a normal quarter.

Consolidated Group new business performance

Key metrics	3Q2020	3Q2019	Δ%
Recurring premiums (R million)	2 654	2 734	(3)%
Single premiums (R million)	25 368	25 877	(2)%
PVNBP (R million)	38 665	40 578	(5)%
VNB (R million)	250	417	(40)%
New business margin	0.6%	1.0%	

The present value of new business premiums (“PVNBP”) for the nine months was R38.7 billion, a decline of 5% from the prior period. The decline is largely due to the impact of the R5 billion single premium with-profit annuity transaction that was recorded in Momentum Corporate in the prior period. In the South African retail operations, the PVNBP increased by 14% due to strong inflows into Momentum Investments. Metropolitan Life also delivered growth in PVNBP over the nine months, the first time since 3Q2018 that year-on-year growth is reported. Lower new business volumes in Namibia impacted the overall Africa PVNBP.

The value of new business (“VNB”) followed a similar pattern and declined by 40% to R250 million, driven by the lower new business volumes in Momentum Corporate. The South African retail operations experienced 49% growth in VNB. In addition to positive new business volume growth in South African retail operations, the VNB was further supported by good expense management across the group. Metropolitan Life’s improved VNB also reflects the steady shift towards business where premiums are collected via payroll deduction.

The national lockdown that started on 27 March 2020 only impacted the new business volumes marginally during this quarter.

Segmental performance

Momentum Life

R million	3Q2020	3Q2019	Δ%
Normalised headline earnings	448	668	(33)%
Recurring premiums	790	756	4%
Single premiums	1 587	1 480	7%
PVNBP	5 902	6 079	(3)%
VNB	80	65	23%
New business margin	1.4%	1.1%	

Normalised headline earnings

Normalised headline earnings were down by 33% to R448 million on prior period. The decline is mainly due to the impact of adverse market conditions and declining investment markets during March 2020, which resulted in negative investment variances from traditional products as well as lower fees and investment returns from equity-linked asset portfolios. The quarter also experienced lower underwriting experience profits. Good expense management, as well as lower losses in Momentum Multiply, supported earnings.

New business

Momentum Life PVNBP declined by 3% to R5 902 million, driven by lower new business volumes from protection business, exacerbated by the negative impact from yield curve movements over the last quarter. Savings business volumes were more resilient compared to the prior period and include an increase in recurring premium retirement savings products, offset by lower endowment sales.

VNB increased by 23% from R65 million in the prior period to R80 million. Good expense management contributed to this positive result. The new business margin increased from 1.1% to 1.4%.

Momentum Investments

R million	3Q2020	3Q2019	Δ%
Normalised headline earnings	273	380	(28)%
Recurring premiums	106	138	(23)%
Single premiums	20 394	16 436	24%
PVNBP	20 792	16 962	23%
VNB	97	61	59%
New business margin	0.5%	0.4%	

Normalised headline earnings

Momentum Investments saw a decline of 28% in normalised headline earnings to R273 million relative to the prior period. This was mainly attributable to weaker earnings from annuities and guaranteed endowments where unrealised losses emerged because of the relative movements in the bond and swap curves. This was partly offset by much improved results from the Momentum Wealth investment platform following good new business volumes, lower outflows, favourable foreign exchange movements, and prudent expense management.

Most of the non-covered investment management businesses were negatively impacted by lower assets under management due to market movements. A slowdown in the property development pipeline had a negative effect on revenues in our property operations.

New business

Momentum Investments PVNBP increased by 23% to R20 792 million. This was mainly attributable to solid growth in new business volumes on the Momentum Wealth investment platform, as well as higher sales of guaranteed annuities.

VNB improved significantly by 59% compared to the prior period. In addition to strong new business volumes growth, expenses were well managed across all product ranges. These contributed to the increase in the new business margin to 0.5%.

Assets under management

The average assets under management in the non-covered business declined by 12% compared to the prior period, which was driven by the deteriorating market conditions in the latter part of March 2020. However, lower net outflows over the nine-month period were observed with improved new business from retail and institutional clients across outcomes-based investments. Positive net flows were recorded on the Momentum Wealth investment platform during the third quarter, due to good new business volumes.

Metropolitan Life

R million	3Q2020	3Q2019	Δ%
Normalised headline earnings	310	480	(35)%
Recurring premiums	903	916	(1)%
Single premiums	838	811	3%
PVNB ³	3 698	3 620	2%
VNB	88	63	40%
New business margin	2.4%	1.7%	

Normalised headline earnings

Metropolitan Life's normalised headline earnings declined by 35% to R310 million, driven by the impact of the adverse investment market conditions during March 2020. The earnings from operations increased by 13% year-on-year and were supported by a sustained operational focus to improve the quality of business and contain controllable expenses, which was maintained below inflation. The business continued to show strong underwriting profits and persistency experience was closely aligned to the valuation basis. The negative impacts of the market movements over this quarter mainly arose from increases to guarantee reserves held in respect of smoothed bonus portfolios.

New business

Metropolitan Life PVNB³ increased by 2% to R3 698 million, despite the tied agency force being 12% smaller than in the prior period. In the tied agency channel, productivity per agent continued to improve, following deliberate actions implemented to rationalise and upskill the agency force. The third quarter performance was particularly strong, despite the normal seasonality observed during the summer holiday period.

The improved VNB of R88 million was because of the continued shift towards business where the premiums are collected through payroll deductions. This led to the new business margin increasing to 2.4%.

Momentum Corporate and Health

R million	3Q2020	3Q2019	Δ%
Momentum Corporate	331	370	(11)%
Momentum Metropolitan's health business	137	114	20%
Normalised headline earnings	468	484	(3)%
Recurring premiums	581	637	(9)%
Single premiums	2 000	6 762	(70)%
PVNB ³	6 552	12 068	(46)%
VNB ³	(9)	216	<(100)%
New business margin ³	(0.1)%	1.8%	

³ Momentum Metropolitan's health business is classified as non-covered business and therefore excluded from PVNB³, value of new business and new business margin.

Normalised headline earnings

Momentum Corporate's traditional employee benefits business experienced a decline of 11% in normalised headline earnings to R331 million. This was also due to the adverse investment market conditions during March 2020. The negative impacts of the market movements over this quarter resulted in an increase in reserving requirements on the predominantly smoothed bonus recurring savings business. This decline was partly offset by a strong improvement in the underwriting results from group insurance business, with disability business delivering a particularly strong positive contribution. Lower controllable expenses also aided the overall normalised headline earnings.

Momentum Metropolitan's health business delivered a sound operating result, with normalised headline earnings up by 20% to R137 million from the prior period. This result was supported by membership growth in the public sector and low-cost products and on-going expense discipline.

New business

Momentum Corporate PVNBP of R6 552 million reduced by 46% compared to the prior period due to the R5 billion single premium with-profit annuity transaction in the prior period not repeating.

The VNB of -R9 million worsened from the prior period, but showed a marginal improvement on the interim F2020 result. The decline from the prior period was mainly attributable to lower new business volumes and change in mix of new business written within the FundsAtWork portfolio. The resulting new business margin was -0.1%.

Non-life Insurance

R million	3Q2020	3Q2019	Δ%
Guardrisk	264	239	10%
MSTI	(42)	(26)	(62)%
AFI	41	-	>100%
Normalised headline earnings	263	213	23%

Normalised headline earnings

Non-life Insurance was 23% up to R263 million on the prior period with strong organic growth from Guardrisk, and benefiting from the inclusion of AFI business from 1 February 2020.

Guardrisk's normalised headline earnings grew by 10% over the nine months to R264 million, resulting from good new business revenue growth, particularly within the life and mining rehabilitation divisions. Guardrisk General Insurance continued its growth momentum with underwriting profits growing by 24% year-on-year.

MSTI's net earned premium growth of 14% continued its upward trend. The claims ratio deteriorated from 64% over the first six months of F2020 to 66% over the nine months and was negatively impacted by further weather-related claims and large fire-related claims in the quarter. This resulted in lower normalised headline earnings of -R42 million for the nine months.

The acquisition of AFI by Momentum Metropolitan was completed in January 2020 and the normalised headline earnings are consolidated into the Group's results from 1 February 2020. AFI reported normalised headline earnings of R41 million for the two months ended 31 March 2020.

Momentum Metropolitan Africa

R million	3Q2020	3Q2019	Δ%
Normalised headline earnings	41	206	(80)%
Recurring premiums	274	287	(5)%
Single premiums	549	388	41%
PVNBP	1 721	1 849	(7)%
VNB	(6)	12	<(100)%
New business margin	(0.3)%	0.6%	

Normalised headline earnings

Normalised headline earnings declined by 80% to R41 million compared to the prior period. This can be mainly attributed to lower investment returns because of the adverse market conditions and declining investment markets during March 2020. It should be noted that there are large smoothed bonus funds in the SADC countries and the guarantee reserves for these funds needed to be increased substantially. The sharp increase in long-dated bond yields also had a negative effect on the reported profits on Namibian funeral business. Excluding the impact of investment markets and the countries being exited, earnings from operations improved by more than 100%.

New business

PVNBP for Africa was R1 721 million, down by 7% from the prior period. This result was predominantly due to lower new business volumes from corporate clients in Namibia. This was partly offset by improved single premium savings business in Botswana and annuities in Lesotho.

The decline of VNB to -R6 million was driven by lower sales volumes in Namibia as well as the change in mix of new business written towards long-term savings products in both Botswana and Namibia. New business margin for the nine months was -0.3% in Africa.

New Initiatives

R million	3Q2020	3Q2019	Δ%
India (JV with Aditya Birla Capital) ⁴	(214)	(210)	(2)%
aYo (JV with MTN)	(80)	(62)	(29)%
Other ⁵	(82)	(76)	(8)%
Normalised headline earnings	(376)	(348)	(8)%

The India joint venture (JV), in partnership with Aditya Birla, is performing in line with expectations. Gross written premiums increased by 83% year-on-year, with the claims ratio continuing to track close to the business plan. The weakening of the South African Rand against the Indian Rupee contributed -R8 million over the nine-months to the loss.

aYo, our joint venture with MTN, continued to grow and the business successfully launched operations in Zambia during the quarter.

The spending on other new initiatives also remained in line with our business plans.

⁴ Results for the India joint venture are reported with a three months lag.

⁵ "Other" includes Exponential Ventures, Momentum Money, Momentum Consult and MMH Lending.

Shareholders

R million	3Q2020	3Q2019	Δ%
Operating loss	(204)	(170)	(20)%
Investment income	252	359	(30)%
Fair value gains	13	163	(92)%
Normalised headline earnings	61	352	(83)%

Normalised headline earnings declined by 83% compared to the prior period. This result was mainly attributable to the impact of the adverse investment markets resulting in lower investment returns on shareholder assets and lower investment returns on our venture capital funds.

Outlook

Momentum Metropolitan continues to closely monitor the impact of the Covid-19 pandemic on the operating environment. It is, however, too early to arrive at any conclusions on the likely impact on the economy and on our industry. The long-term impact on the Group will largely depend on the country's ability to limit the depth of the economic recession that we now expect.

For now, we remain vigilant and will leverage off our decentralised operating model and entrepreneurial culture to rapidly respond as-and-when circumstances change. We will continue to keep the best interests of our staff, our clients, and society in mind as we navigate this new territory. During this crisis, our high standards of risk management and prudent approach to solvency management have proven to be an advantage in preserving the value created for all our stakeholders. We will pro-actively look for opportunities to improve our offering to our clients and to make them relevant in these unusual times. We believe that the lasting impact of the pandemic will also bring opportunities to innovate and to improve.

We do not foresee a rapid economic recovery and we expect the impact to emerge in lower new business and weaker persistency during F2021. We also do not assume that financial markets (bond and equity) will fully recover the losses incurred in March 2020 in the immediate future. Covid-19 related mortality claims are also a risk factor that could impact our F2021 results.

As a result of the wide-ranging impact of Covid-19, the Group no longer expects to achieve the Reset and Grow target of delivering normalised headline earnings of between R3.6 billion and R4.0 billion in F2021. Instead, F2021 will have to be a period during which we adapt to a new reality in our operating environment. Given the remaining uncertainties of the health and economic impact of the pandemic, we are unfortunately not in a position to provide investors with more clarity on future earnings or the sales outlook at this stage. We trust that the detailed and transparent disclosure of the financial impact to date, will compensate to some extent for the future uncertainty.

21 May 2020
CENTURION

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

Conference call

The executive management of Momentum Metropolitan will be hosting a conference call for shareholders, investors and analysts on 21 May 2020.

We kindly request callers to pre-register using the following link www.diamondpass.net/1279110.

A passcode and pin will be generated following registration. We advise callers to dial in 5 minutes before the conference call starts at 13h00.

Access numbers for participants dialling live from their country:

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

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

Access Numbers for Recorded Playback:

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

Access code for recorded playback: 32632

Sponsor in South Africa
Merrill Lynch South Africa (Pty) Limited

Sponsor in Namibia
Simonis Storm Securities (Pty) Limited