

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)

Audited financial results for the year ended 30 June 2021 and changes to the Board

Financial results for the year ended 30 June 2021 – short form announcement

| | Basic | | | Diluted | | |
|---|-------|----------------|-------|---------|----------------|-------|
| | F2021 | Restated F2020 | Δ% | F2021 | Restated F2020 | Δ% |
| Earnings (R million) ¹ | 451 | 188 | >100% | 451 | 188 | >100% |
| Headline earnings (R million) | 445 | 1 036 | (57)% | 445 | 1 036 | (57)% |
| Normalised headline earnings (R million) ² | | | | 1 007 | 1 521 | (34)% |
| Operating profit (R million) ³ | | | | 73 | 1 001 | (93)% |
| Investment return (R million) | | | | 934 | 520 | 80% |
| Earnings per share (cents) | 31.3 | 12.9 | >100% | 31.3 | 12.9 | >100% |
| Headline earnings per share (cents) | 30.9 | 71.3 | (57)% | 30.9 | 71.3 | (57)% |
| Normalised headline earnings per share (cents) ¹ | | | | 67.1 | 101.5 | (34)% |
| Total dividend per share (cents) | | | | 40 | 40 | 0% |
| Present value of new business premiums | | | | 65 898 | 50 447 | 31% |
| Value of new business | | | | 725 | 280 | >100% |
| Value of new business margin | | | | 1.1% | 0.6% | |
| Diluted embedded value per share (R) | | | | 27.08 | 25.70 | 5% |
| Return on embedded value | | | | 7.3% | (3.7)% | |
| Return on equity ⁴ | | | | 4.9% | 7.4% | |

¹ The Momentum Mozambique LDA business is no longer classified as held for sale, following the cancellation of its sale due to conditions precedent not being met by the agreed deadline. The result is a restatement of the earnings per share for the Group for F2020, which increased by 0.6 cents. Headline earnings per share and normalised headline earnings per share were unaffected.

² Normalised headline earnings adjust the JSE definition of headline earnings for the dilutive impact of finance costs related to preference shares that can be converted into ordinary shares of the Group, the impact of treasury shares held by policyholder funds and the iSabelo Trust, the amortisation of intangible assets arising from business combinations, B-BBEE costs, and the amortisation of the discount at which the iSabelo Trust acquired the Momentum Metropolitan treasury shares. A reconciliation of earnings, headline earnings and normalised headline earnings is provided in the Summarised audited annual financial statements for the year ended 30 June 2021.

³ 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. Comparatives are reported for the first time.

⁴ Return on equity expresses normalised headline earnings as a percentage of net asset value, adjusted for the items outlined in footnote 3, as well as the adjusting items to determine headline earnings. Comparatives are reported for the first time.

Net asset value

| R million | F2021 | Restated ⁵ F2020 | Δ% |
|---------------------|---------------|--------------------------------|-------------|
| Total assets | 552 784 | 505 702 | 9% |
| Total liabilities | (530 861) | (482 699) | (10)% |
| Total equity | 21 923 | 23 003 | (5)% |

Momentum Metropolitan results show record sales and highest ever death claims

Resilient balance sheet to support Covid-19 impacts

Introduction

The financial year ended 30 June 2021 (F2021) was a year of extremes. Given Momentum Metropolitan's strong presence in life insurance, the abnormally high number of deaths experienced during this year, and the need for additional provisions against adverse mortality experience for an extended period, had a significant negative impact on our results. Despite the adverse impact of Covid-19, many of our businesses continued to perform very well. A highlight was the excellent new business performance in our investments and life insurance retail businesses, where both Momentum Investments and Metropolitan Life experienced record years.

A significant level of uncertainty remains over long-term impacts that Covid-19 may have on the Group. Most notably, our future mortality experience remains highly uncertain and is sensitive to the pace at which the vaccination programme is rolled out. Although the pace of vaccinations has increased over recent months, we believe that to curb the negative impact of the pandemic, the pace must be accelerated. The Group is supporting the national vaccine rollout by operating five mass vaccination sites, and by the end of August these sites have administered 175 000 vaccines.

Group consolidated earnings

Normalised headline earnings declined by 34% to R1 007 million for the 12 months ended 30 June 2021, consisting of a 93% decline in operating profit, partly offset by an 80% increase in investment return.

The year-on-year decline of 93% in operating profit from R1 001 million to R73 million was largely attributable to the negative impacts related to Covid-19 in the current year, as well as anticipated future impacts from the third and possible fourth wave of the pandemic that is expected to emerge in the next financial year ending 30 June 2022. In F2021 the Group increased its additional Covid-19 provision by R2 239 million (net of tax), of which R2 129 million related to mortality. In the current year a negative mortality variance of R702 million (after allowing for positive impacts from annuity products of R275 million and the release of R974 million of the existing Covid-19 provisions) was experienced, contributing to the Group's total mortality losses for the year ended 30 June 2021 of R2 831 million

Momentum Life and Momentum Corporate were most severely impacted and reported operating losses for F2021. The Group's South African life insurance businesses paid R10.7 billion in mortality claims (gross of reinsurance and tax) during F2021, compared to an average of R5.6 billion p.a. over the three years preceding the pandemic.

Business units less directly exposed to Covid-19 (Momentum Investments, Momentum Metropolitan Health, and Non-life Insurance) showed strong operating profit growth during the year. Metropolitan Life and Momentum Metropolitan Africa both produced solid operating profit for the period despite significant Covid-19 related excess claims.

⁵ Refer to note 12 of the summarised audited annual financial statements for the year ended 30 June 2021 for more information on the restatements.

Investment returns increased by 80% to R934 million and were supported by the recovery of investments markets, fair value gains from the revaluation of the Group's investment in venture capital funds, and the recovery of previously written-off loans. This was partly offset by lower investment returns on the shareholder investment portfolio within the South African life business due to short-dated interest rates being around 250 basis points lower than in the prior year.

The Group's normalised headline earnings per share declined by 34% to 67.1 cents, while headline earnings per share declined by 57% to 30.9 cents. Earnings per share of 31.3 cents more than doubled due to a prior year impairment on the MARC, a partially owner-occupied property in Sandton, of R550 million, as well as a R244 million write-off of goodwill and other intangible assets on the Non-life Insurance operations that were not repeated in the current year.

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

| R million | F2021 | | | Restated ⁶ F2020 | | | Δ% | | |
|---|------------------|-------------------|------------------------------|--------------------------------|-------------------|------------------------------|------------------|-------------------|------------------------------|
| | Operating profit | Investment return | Normalised headline earnings | Operating profit | Investment return | Normalised headline earnings | Operating profit | Investment return | Normalised headline earnings |
| Momentum Life | (991) | 132 | (859) | 400 | 178 | 578 | <(100)% | (26)% | <(100)% |
| Momentum Investments | 1 103 | (8) | 1 095 | 313 | 27 | 340 | >100% | <(100)% | >100% |
| Metropolitan Life | 367 | 68 | 435 | 302 | 91 | 393 | 22% | (25)% | 11% |
| Momentum Corporate | (607) | 55 | (552) | 104 | 73 | 177 | <(100)% | (25)% | <(100)% |
| Momentum Metropolitan Health | 214 | (1) | 213 | 158 | (2) | 156 | 35% | 50% | 37% |
| Non-life Insurance | 508 | 36 | 544 | 348 | 57 | 405 | 46% | (37)% | 34% |
| Momentum Metropolitan Africa | 62 | 194 | 256 | 70 | 247 | 317 | (11)% | (21)% | (19)% |
| Normalised headline earnings from operating business units | 656 | 476 | 1 132 | 1 695 | 671 | 2 366 | (61)% | (29)% | (52)% |
| New Initiatives | (360) | 2 | (358) | (511) | 2 | (509) | 30% | 0% | 30% |
| Shareholders | (223) | 456 | 233 | (183) | (153) | (336) | (22)% | >100% | >100% |
| Normalised headline earnings | 73 | 934 | 1 007 | 1 001 | 520 | 1 521 | (93)% | 80% | (34)% |

More details on the Group's earnings performance, including a detailed analysis of the impact of Covid-19 on the Group and segmental information on the performance of the Group's businesses, can be found in the Group's full results announcement and audited annual financial statements for the year ended 30 June 2021, available on the Group's website at <https://www.momentummetropolitan.co.za/en/investor-relations/financial-results>.

⁶ Normalised headline earnings for the South African life insurance business units for the year ended 30 June 2020 have been restated to be consistent with the reporting in F2021. Investment return on shareholder assets were previously reported in Shareholders but is now included in business unit earnings. The Group normalised headline earnings were unaffected.

Group new business performance

The excellent new business performance in our retail businesses was a highlight for the Group. Both Metropolitan Life and Momentum Investments experienced record years.

| Key metrics | F2021 | F2020 | Δ% |
|--|--------|--------|-------|
| Recurring premiums (R million) | 3 783 | 3 417 | 11% |
| Single premiums (R million) | 47 497 | 33 189 | 43% |
| Present value of new business premiums (R million) | 65 898 | 50 447 | 31% |
| Value of new business (R million) | 725 | 280 | >100% |
| New business margin | 1.1% | 0.6% | |

The Group's present value of new business premiums increased to R65.9 billion, a strong 31% improvement from the prior year. This growth was driven by excellent performance from Momentum Investments on the Momentum Wealth investment platform business. Metropolitan Life continued to deliver exceptional growth throughout the year on protection new business. Momentum Life saw an increase in both protection and savings new business volumes. Momentum Metropolitan Africa also saw pleasing new business volume growth in Botswana, Lesotho and Namibia.

Value of new business growth to R725 million was outstanding and was driven by strong new business volumes, excellent expense management across the Group, a sustained focus on improving the quality of new business written, and an improved mix towards higher margin products. This resulted in a significant improvement in new business margins from 0.6% to 1.1%.

Return on equity and embedded value

Return on equity has been established as a key performance metric for the Group. For F2021 the Group's return on equity was 4.9%. The impact of the negative mortality experience, which significantly affected our life insurance operations, is evident in the relatively low return on equity achieved by the Group.

The return on embedded value increased from -3.8% in F2020 to 7.3% in F2021, supported by a substantial improvement in investment markets, which was offset by additional provisions against the impact of the pandemic.

Solvency

The Group remains well capitalised with a strong balance sheet. The regulatory solvency positions of all the Group's entities remain within the target ranges. For Momentum Metropolitan Life, the Group's main life insurance entity, the Solvency Capital Requirement (SCR) decreased from 1.85 times at 30 June 2020 to 1.73 times SCR at 30 June 2021.

Dividends

The Group declared a final ordinary dividend of 15 cents per ordinary share in F2021. Together with the interim ordinary dividend of 25 cents per ordinary share that was declared in March 2021, the total dividend for the year ended 30 June 2021 is 40 cents per ordinary share. This is equal to the prior year dividend and represents a dividend cover of 1.7 times on normalised headline earnings.

The dividend is payable out of income reserves to all holders of ordinary shares recorded in the register of the company on Record Date. The dividend will be subject to local dividend withholding tax at a rate of 20% unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate. This will result in a net final dividend of 12 cents per ordinary share for those shareholders who are not exempt from paying dividend tax. The number of ordinary shares at the declaration date was 1 497 475 356.

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

| | |
|---------------------------------|------------------------------|
| Publication of declaration data | Wednesday, 8 September 2021 |
| Last date to trade cum-dividend | Tuesday, 28 September 2021 |
| Trading ex-dividend | Wednesday, 29 September 2021 |
| Record date | Friday, 1 October 2021 |
| Payment date | Monday, 4 October 2021 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 29 September 2021 and Friday, 1 October 2021, both days inclusive.

Changes to the Board and Board Committees

Both having reached nine year tenure, Ms Fatima Daniels (Jakoet) and Mr Frans Truter will retire from the Momentum Metropolitan Holdings and Momentum Metropolitan Life boards of directors (collectively, the Board) at the Group's annual general meeting on 25 November 2021. Ms Daniels will also retire as member of the Group's Audit as well as the Risk, Capital and Compliance (RCC) committees and Mr Truter as Chair of the RCC and member of the Audit, Nominations and Remuneration committees. As announced on 27 May 2021, Mr Seelan Gobalsamy and Mr Nigel Dunkley were appointed as members of the Board and the Group's Audit Committee, effective 1 June 2021.

Further changes to the Board Committees have been made as follows:

- Ms Jeanette Cilliers (Marais) has been appointed as a member of the RCC Committee, effective 1 September 2021.
- Mr Seelan Gobalsamy has been appointed as a member of the Nominations Committee, effective 1 October 2021.
- Mr Nigel Dunkley has been appointed as a member of the Remuneration and RCC committees, effective 1 October 2021.
- Mr David Park will become the Chair of the RCC Committee on 25 November 2021.

All these changes to committee membership are implemented as a result of the planned rotation of board members and to maintain appropriate skills set across the committees, in view of the pending retirements of Ms Fatima Daniels (Jakoet) and Mr Frans Truter in November 2021.

Completion of the Reset and Grow strategy

When Momentum Metropolitan announced its Reset and Grow strategy in September 2018, the focus was on fixing the basics, addressing our cost base, re-establishing an external focus, and increasing and improving our distribution presence. The Reset and Grow strategy, which was the cornerstone of the operational turnaround evident in our results over the past three years, has now come to an end. The Group is in a significantly healthier position and has built a foundation and capabilities that improved its competitive position and created a strong foundation from where it can continue to grow.

Having reached the end of the three-year period, this is an opportune time to reflect on the Group's performance relative to the Reset and Grow objectives:

- **Targeted normalised headline earnings of R3.6 billion to R4 billion by F2021:**
The severe impact of Covid-19 prevented us from achieving this objective. Excluding the impact of Covid-19 provisions and negative mortality experience, the Group's underlying normalised headline earnings were R3.5 billion.
- **Empowered business units:**
Our decentralised operating contributed to the creation of a portfolio of empowered businesses, which in turn significantly contributed to improved accountability and implementation.

- **Momentum retail distribution channels footprint growth:**
We successfully increased the footprint in our Momentum retail businesses and Momentum branded products.
- **Transformation of the Metropolitan Life tied-agency distribution force:**
Productivity improved from 1.8 policies per adviser per week in F2018 to 3.4 policies per adviser per week in F2021.
- **Effective cost management:**
We have restored financial discipline throughout the organisation, translating into effective cost management and over the three-year period we realised cost savings of c.R900 million (net of tax).
- **Championed main consumer brands Momentum and Metropolitan:**
Good progress in improving the brand positioning of the Momentum and Metropolitan brands.
- **Non-life Insurance business earnings growth:**
We deliberately grew Non-life Insurance with the businesses contributing R544 million to normalised headline earnings in F2021, outperforming the original objective of R300 million.
- **Losses on New Initiatives:**
The impact of New Initiatives on our F2021 earnings was larger than the R100 million earnings targeted.
- **Rationalisation and turn-around of our Africa portfolio:**
The successful rationalisation of our Africa footprint and concerted turn-around efforts supported this previously loss-making business unit to become consistently profitable.

Outlook – Reinvent and Grow strategy

We are positive about the underlying operational performance of the Group. This is evident in new business volumes, which speak to our improved ability to meet intermediary and client needs, and in new business margins, reflecting our delivery on efficiency initiatives and successful product and/or benefit updates. We believe that we continue to improve market share in most market segments.

We launched our Reinvent and Grow strategy for the next three years at our Investor Conference in May 2021. South Africa's economic challenges remain very significant, and the uncertain short-term and medium-term outcomes have been exacerbated by Covid-19. Uncertainty about the likely impact of the vaccine rollout programme and the extent of future Covid-19 waves on future mortality experience remains. The strategic objectives we have set for the next three years should therefore be viewed as indicating intent. Our success to implement the Reinvent and Grow strategy will to some degree depend on how South Africa navigates its way through the Covid-19 pandemic and manages to turn the country's economy around.

The key elements of Reinvent and Grow strategy include:

- Significant focus on an investment in digital initiatives to generate efficiencies and to improve the ease of doing business for our clients and advisers
- Further focus and growth of existing distribution channels, complimented by the development of alternative distribution opportunities
- Targeting normalised headline earnings for the Group of between R4.6 billion to R5.0 billion by F2024
- Dynamic and disciplined management of group capital, with the objective to improve the return on equity of the Group from 18% to 20% by F2024.

The Group is supporting the national vaccine rollout by operating five mass vaccination sites, and by the end of August these sites have administered 175 000 vaccines.

Considering the uncertainty in our operating environment, it would be inappropriate to provide firm guidance on our near-term earnings expectations. We continue to estimate, however, that in the absence of extraneous shocks, the underlying level of normalised headline earnings for the Group is around R800 million to R900 million per quarter.

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 selectively 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, perseverance and commitment to the Group, and our advisers and clients for their loyalty and support during the last year.

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 audited annual financial statements, on which the auditors expressed an unqualified opinion. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full SENS announcement accessible from Wednesday 8 September 2021, via the JSE link and also available on the Company's website at <https://www.momentummetropolitan.co.za/en/investor-relations/financial-results>.

The annual financial statements have been audited by the Group's auditors, Ernst & Young Inc, who expressed an unqualified opinion thereon. The annual financial statements, including the audit opinion and key audit matters can be found on the Group's website at <https://www.momentummetropolitan.co.za/en/investor-relations/financial-results>. A printed copy of the full SENS announcement may also be requested from the Group Company Secretary's Office, Gcobisa Tyusha, Tel: +27 12 673 1931 or gcobisa.tyusha@mmltd.co.za 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/FY21Result.pdf>

SENS issue: 8 September 2021

Equity sponsor

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

Debt sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)