

Momentum Metropolitan Life Limited Condensed financial statements

Unaudited interim results for the six
months ended 31 December 2019

MOMENTUM METROPOLITAN LIFE LIMITED

DIRECTORS' STATEMENT

The directors take pleasure in presenting the unaudited summarised interim results of Momentum Metropolitan Life Ltd for the period ended 31 December 2019. The preparation of the company's results was supervised by the finance director, Risto Ketola (FIA, FASSA, CFA).

Corporate events

Listed debt

The company listed new instruments to the value of R750 million on the JDE Ltd in December 2019. The instruments are unsecured subordinated call notes.

Basis of preparation of financial information

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) – Interim financial reporting; the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; the JSE Listings Requirements and the South African Companies Act, 71 of 2008. The accounting policies applied in the preparation of these financial statements are in terms of IFRS and are consistent with those adopted in the previous years, except as described below. Critical judgements and accounting estimates are disclosed in detail in the company's annual financial statements for the year ended 30 June 2019, including changes in estimates that are an integral part of the insurance business. The company is exposed to financial and insurance risks, details of which are also provided in the company's annual financial statements.

New and revised standards effective for the period ended 31 December 2019 and relevant to the company

- The following amendments to standards and interpretations became effective for the first time in the current period and had no impact on the company's earnings or net asset value: IFRIC 23 Uncertainty over income tax treatments, amendments to IFRS 9 Financial instruments, IAS 28 Investments in associated and joint ventures and IAS 19 Employee Benefits. IFRS 16 Leases also became effective for the first time in the current period. The effect of this described below.
- *IFRS 16 Leases*

IFRS 16 replaces IAS 17 Leases, as well as the following interpretations: IFRIC 4 Determining whether an arrangement contains a lease, SIC 15 Operating leases – Incentives and SIC 27 Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Lessees will no longer classify leases as operating or finance leases. Instead, a lessee will recognise a right-of-use asset and corresponding liability at the inception of most leases. Lessor accounting has remained mainly unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases. Therefore, IFRS 16 does not have an impact for leases where the company is the lessor.

IFRS 16 is effective from periods beginning on or after 1 January 2019. The company has implemented IFRS 16 on 1 July 2019, retrospectively without restating comparative figures. The cumulative effect of adopting IFRS 16 is recognised as an adjustment to retained earnings at the beginning of the current period.

Leases of a short-term nature as well as low-value assets (eg month-to-month property leases, low-value printers and other miscellaneous leases) will continue to be accounted for on a straight-line basis. Refer to the adoption of new standards note for more information on the impact of IFRS 16.
- The International Accounting Standards Board (IASB) made amendments to various standards as part of their annual improvements project. These amendments had no impact on the company's earnings.

MOMENTUM METROPOLITAN LIFE LIMITED

Corporate governance

The board has satisfied itself that appropriate principles of corporate governance (King IV™) were applied throughout the period under review.

Changes to the directorate and secretary

On 1 July 2019, the Interim Company Secretary, CorpStat Governance Services (Pty) Ltd was replaced by Gcobisa Tyusha who was appointed as Company Secretary. Effective 1 December 2019, David Park was appointed to the Board, subject to approval from the Regulator. On 2 January 2020, Frans Truter stepped down as Chairman of the Audit Committee. On the same date, Linda de Beer was appointed as Chairman of the Audit Committee.

Contingent liabilities and capital commitments

The company is party to legal proceedings and appropriate provisions are made when losses are expected to materialise. The company had no material capital commitments at 31 December 2019 that were not in the ordinary course of business.

Events after the reporting period

No material events occurred between the reporting date and the date of approval of these results.

Interim dividend declaration

Ordinary shares

On 4 March 2020 an interim dividend of 698 cents per ordinary share was declared by the Board and will be paid on or before 30 March 2020.

The number of ordinary shares at the declaration date was 189 695 508.

MOMENTUM METROPOLITAN LIFE LIMITED

Directors' responsibility

The preparation of these results are the responsibility of the directors. The summarised interim results have not been reviewed or audited by the external auditors.

Signed on behalf of the board

MJN Njeke

Chairman

Hillie Meyer

Group chief executive officer

Centurion

4 March 2020

DIRECTORS: MJN Njeke (chairman) MM Sello (lead independent director), HP Meyer (chief executive officer), JC Cilliers (Marais) (deputy chief executive officer) , RS Ketola (finance director), F Daniels (Jakoet), Prof SC Jurisich, FJC Truter, L de Beer, MJN Njeke, Dr S McPherson, LM Chiume, KS Legoabe-Kgomari, D Park (subject to approval from regulator)

COMPANY SECRETARY: Gcobisa Tyusha

WEBSITE: www.momentummetropolitan.co.za

AUDITORS: Ernst & Young Inc

REGISTERED OFFICE: 268 West Avenue, Centurion, 0157

**MOMENTUM METROPOLITAN LIFE LIMITED –
IFRS FINANCIAL INFORMATION**

CONDENSED STATEMENT OF FINANCIAL POSITION	31.12.2019	Restated 31.12.2018 ¹	Restated 30.06.2019 ¹
	Rm	Rm	Rm
ASSETS			
Intangible assets	2 549	2 617	2 570
Owner-occupied properties	1 115	1 342	750
Property and equipment	186	144	131
Investment properties	7 236	7 528	7 163
Interest in subsidiary companies	73 097	62 695	70 593
Employee benefit assets	484	449	466
Financial assets at fair value through income	301 431	283 777	297 193
Financial assets at amortised cost	6 425	5 865	7 343
Reinsurance contract assets	2 209	1 882	2 131
Insurance and other receivables	2 755	2 876	2 600
Current income tax assets	-	3	-
Cash and cash equivalents	11 519	11 902	12 478
Total assets	409 628	381 080	404 040
EQUITY			
Equity attributable to owners of the parent	15 730	14 016	14 811
Non-redeemable, non-cumulative, non-participative preference shares	500	500	500
Total equity	16 230	14 516	15 311
LIABILITIES			
Insurance contract liabilities			
Long-term insurance contracts	103 189	99 553	104 435
Investment contracts	266 635	245 798	259 409
- with discretionary participation features (DPF)	21 427	21 490	21 859
- designated at fair value through income	245 208	224 308	237 550
Financial liabilities at fair value through income	11 568	10 747	12 226
Financial liabilities at amortised cost	464	-	-
Deferred income tax	1 365	1 070	1 399
Employee benefit obligations	695	599	818
Other payables	9 406	8 797	10 166
Current income tax liabilities	75	-	276
Total liabilities	393 397	366 564	388 729
Total equity and liabilities	409 627	381 080	404 040

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

**MOMENTUM METROPOLITAN LIFE LIMITED –
IFRS FINANCIAL INFORMATION**

CONDENSED INCOME STATEMENT	6 mths to 31.12.2019	6 mths to 31.12.2018	12 mths to 30.06.2019
	Rm	Rm	Rm
Net insurance premiums	10 195	14 328	25 105
Fee income ¹	1 740	1 667	3 205
Investment income	8 083	8 470	17 226
Net realised and unrealised fair value gains/(losses)	3 778	(13 487)	3 269
Net income	23 796	10 978	48 805
Net insurance benefits and claims	10 303	9 846	20 421
Change in actuarial liabilities and related reinsurance	(1 756)	272	5 274
Change in insurance contract liabilities	(1 246)	1 544	6 426
Change in investment contracts with DPF liabilities	(432)	(1 262)	(893)
Change in reinsurance assets	(78)	(10)	(259)
Fair value adjustments on investment contract liabilities	7 742	(6 216)	8 888
Depreciation, amortisation and impairment expenses	140	174	133
Employee benefit expenses	1 737	1 677	3 367
Sales remuneration	1 664	1 631	3 103
Other expenses	1 016	1 167	2 386
Expenses	20 846	8 551	43 572
Results of operations	2 950	2 427	5 233
Finance costs ²	(407)	(371)	(753)
Profit before tax	2 543	2 056	4 480
Income tax expense	(914)	(619)	(1 537)
Earnings for the period	1 629	1 437	2 943
Attributable to:			
Owners of the parent	1 612	1 420	2 909
Preference shares	17	17	34
	1 629	1 437	2 943

¹ Fee income consists of the following:

Contract administration	1 450	1 374	2 615
Trust and fiduciary services	225	226	445
Other fee income	65	67	145
	1 740	1 667	3 205

² Finance costs consist of the following:

Subordinated debt	(213)	(210)	(418)
Cost of carry positions	(149)	(135)	(286)
Lease liabilities	(23)	-	-
Other finance costs	(22)	(26)	(49)
	(407)	(371)	(753)

**MOMENTUM METROPOLITAN LIFE LIMITED –
IFRS FINANCIAL INFORMATION**

STATEMENT OF COMPREHENSIVE INCOME	6 mths to 31.12.2019	6 mths to 31.12.2018	12 mths to 30.06.2019
	Rm	Rm	Rm
Earnings for the period	1 629	1 437	2 943
Other comprehensive loss, net of tax	(5)	(343)	(203)
Items that will not be reclassified to income	(5)	(343)	(203)
Land and buildings revaluation	1	(229)	(203)
Revaluation of subsidiaries	(6)	(157)	(61)
Remeasurements of post-employee benefit funds	3	(9)	2
Income tax relating to items that will not be reclassified	(3)	52	59
Total comprehensive income for the period	1 624	1 094	2 740
Total comprehensive income attributable to:			
Owners of the parent	1 607	1 077	2 706
Preference shares	17	17	34
	1 624	1 094	2 740

MOMENTUM METROPOLITAN LIFE LIMITED –

IFRS FINANCIAL INFORMATION

STATEMENT OF CHANGES IN EQUITY	6 mths to 31.12.2019 Rm	6 mths to 31.12.2018 Rm	12 mths to 30.06.2019 Rm
Changes in share capital			
Balance at beginning and end	9	9	9
Changes in share premium			
Balance at beginning and end	1 032	1 032	1 032
Changes in other reserves			
Balance at beginning	5 156	5 436	5 436
Total comprehensive loss	(5)	(343)	(203)
Transfer to retained earnings	(8)	(25)	(77)
Balance at end ¹	5 143	5 068	5 156
Changes in retained earnings			
Balance at beginning	8 614	7 180	7 180
IFRS opening adjustment ²	(55)	(16)	(16)
Restated opening balance	8 559	7 164	7 164
Total comprehensive income	1 612	1 420	2 909
Dividend paid	(633)	(702)	(1 536)
Transfer from other reserves	8	25	77
Balance at end	9 546	7 907	8 614
Equity attributable to owners of the parent	15 730	14 016	14 811
Non-redeemable, non-cumulative, non-participative preference shares			
Balance at beginning	500	500	500
Total comprehensive income	17	17	34
Dividend paid	(17)	(17)	(34)
Balance at end	500	500	500
Total equity	16 230	14 516	15 311
¹ Other reserves consist of the following:			
Land and buildings revaluation reserve	361	343	370
Revaluation of subsidiaries	(49)	(95)	(43)
Employee benefit revaluation reserve	102	91	100
Common control reserve	4 729	4 729	4 729
	5 143	5 068	5 156

²The opening retained earnings adjustment relates to the implementation and adoption of IFRS 16 in the current financial year, and the implementation and adoption of IFRS 9 in the prior financial year.

**MOMENTUM METROPOLITAN LIFE LIMITED –
IFRS FINANCIAL INFORMATION**

CONDENSED STATEMENT OF CASH FLOWS	6 mths to 31.12.2019	6 mths to 31.12.2018	12 mths to 30.06.2019
	Rm	Rm	Rm
Cash flow from operating activities			
Cash utilised in operations	(5 186)	(5 618)	(13 301)
Interest received	4 990	5 767	11 528
Dividends received	2 550	2 199	4 677
Income tax paid	(1 152)	(479)	(781)
Interest paid	(407)	(371)	(753)
Net cash inflow from operating activities	795	1 498	1 370
Cash flow from investing activities			
Additional investment in subsidiary	(35)	(435)	(435)
Disposal of subsidiary	-	-	44
Purchase of owner-occupied properties	(46)	(31)	(48)
Disposal of owner-occupied properties	-	21	22
Purchase of investment properties	(100)	(940)	(900)
Disposal of investment properties	105	241	683
Purchase of property and equipment	(42)	(47)	(56)
Disposal of property and equipment	-	1	(1)
Purchase of intangible assets	(167)	(271)	(295)
Net cash outflow from investing activities	(285)	(1 461)	(986)
Cash flow from financing activities			
Lease payments	(42)	-	-
(Decrease)/Increase in financial liabilities at fair value through income	(777)	106	1 186
Dividends paid to equity holders	(633)	(702)	(1 536)
Preference share dividends paid	(17)	(17)	(34)
Net cash outflow from financing activities	(1 469)	(613)	(384)
Net cash flow	(959)	(576)	-
Cash resources and funds on deposit at beginning	12 478	12 478	12 478
Cash resources and funds on deposit at end	11 519	11 902	12 478

MOMENTUM METROPOLITAN LIFE LIMITED LIMITED – SEGMENTAL INFORMATION

Segmental Report

The company's reporting view reflects the following segments:

- **Momentum Life:** Momentum Life includes protection, savings and life insurance products focused on the middle and affluent client segments.
- **Momentum Investments:** Momentum Investments consists of the Momentum Wealth platform business, local and offshore asset management operations, retail annuities and guaranteed investments.
- **Metropolitan Retail:** Metropolitan Retail focusses on the lower and middle income retail market segment, with a range of protection and savings products.
- **Momentum Corporate:** Momentum Corporate offers group risk, annuities, pension savings and umbrella fund (FundsAtWork) products.
- **Africa:** This segment includes allocations relating to African operations.
- **Non-Life Insurance:** This segment includes allocations relating to Momentum Short-term Insurance and Momentum Short-term Insurance Administration.
- **New Initiatives:** This segment includes allocations relating to India, aYo, Momentum Money, Lending, Exponential Ventures and Momentum Consult.
- **Shareholders:** The Shareholders segment reflects investment income on capital held to support South African operations and some costs not allocated to operating segments.

The company's executive management assesses the performance of the operating segments based on diluted normalised headline earnings. This measurement basis excludes adjustments for Momentum Metropolitan shares held by policyholder funds, the amortisation of intangible assets relating to business combinations as well as BEE costs. It includes basis changes and investment variances. For insurance operating segments (excluding Momentum Metropolitan Africa), diluted normalised headline earnings also exclude the effect of investment income on shareholder assets, as this income is managed on a group basis and is therefore included in the Shareholders segment.

A reconciliation of earnings to diluted normalised headline earnings is provided in the earnings per ordinary share note.

MOMENTUM METROPOLITAN LIFE LIMITED LIMITED – SEGMENTAL INFORMATION

6 mths to 31.12.2019	Momentum Life	Momentum Investments	Metropolitan Retail	Momentum Corporate	Non-life Insurance	Africa	New Initiatives	Shareholders	Segmental total	Reconciling items ¹	IFRS total
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Revenue											
Net insurance premiums	4 715	12 588	3 671	7 897	-	-	-	-	28 871	(18 676)	10 195
Recurring premiums	4 432	335	3 144	6 324	-	-	-	-	14 235	(5 611)	8 624
Single premiums	283	12 253	527	1 573	-	-	-	-	14 636	(13 065)	1 571
Fee income	505	723	74	439	-	-	-	(1)	1 740	-	1 740
External fee income	505	723	74	439	-	-	-	(1)	1 740	-	1 740
Expenses											
Net payments to contract holders											
External payments	5 009	12 210	2 866	7 531	-	-	-	-	27 616	(17 313)	10 303
Other expenses ²	1 415	649	1 293	634	-	-	12	40	4 043	514	4 557
Sales remuneration	673	364	570	52	-	-	-	5	1 664	-	1 664
Administration expenses	742	285	723	582	-	-	12	12	2 356	-	2 356
Amortisation due to business combinations and impairments	-	-	-	-	-	-	-	21	21	-	21
Direct property expenses	-	-	-	-	-	-	-	-	-	215	215
Asset management and other fee expenses	-	-	-	-	-	-	-	2	2	299	301
Normalised headline earnings	515	187	349	273	3	1	(11)	311	1 628	-	1 628
Operating profit/(loss) ³	720	264	486	377	-	-	(12)	(24)	1 811	-	1 811
Tax on operating profit/(loss)	(205)	(74)	(137)	(106)	-	-	-	(67)	(589)	-	(589)
Investment income	-	-	-	-	-	-	-	368	368	-	368
Tax on investment income	-	-	-	-	-	-	-	(54)	(54)	-	(54)
Fair value (losses)/gains	-	(4)	-	3	4	1	1	113	118	-	118
Tax on fair value (losses)/gains	-	1	-	(1)	(1)	-	-	(25)	(26)	-	(26)
Covered	515	184	349	256	-	1	-	341	1 646	-	1 646
Non-covered	-	3	-	17	3	-	(11)	(30)	(18)	-	(18)
	515	187	349	273	3	1	(11)	311	1 628	-	1 628
Basis changes and investment variances ⁴	(3)	8	(13)	-	-	-	-	-	(8)	-	(8)
Actuarial liabilities	73 151	162 153	35 477	99 043	-	-	-	-	369 824	-	369 824

¹ The 'Reconciling items' column includes: investment contract business premiums and claims; non-recurring items included in administration expenses; direct property and asset management fees that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; and other minor adjustments to expenses and fee income.

² Other expenses consist 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 is normalised headline earnings less tax, investment income and fair value gains.

⁴ Included in normalised headline earnings and is net of tax.

MOMENTUM METROPOLITAN LIFE LIMITED LIMITED – SEGMENTAL INFORMATION

6 mths to 31.12.2018	Momentum Life	Momentum Investments	Metropolitan Retail	Momentum Corporate	Non-life Insurance	Africa	New Initiatives	Shareholders	Segmental total	Reconciling items ¹	IFRS total
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Revenue											
Net insurance premiums	4 447	10 186	3 575	11 776	-	-	-	-	29 984	(15 656)	14 328
Recurring premiums	4 313	221	3 072	5 743	-	-	-	-	13 349	(5 260)	8 089
Single premiums	134	9 965	503	6 033	-	-	-	-	16 635	(10 396)	6 239
Fee income	443	709	73	435	-	-	-	7	1 667	-	1 667
External fee income	443	709	73	435	-	-	-	7	1 667	-	1 667
Expenses											
Net payments to contract holders											
External payments	4 752	14 614	2 876	7 147	-	-	-	-	29 389	(19 543)	9 846
Other expenses ²	1 404	698	1 270	593	-	1	25	211	4 202	528	4 730
Sales remuneration	654	391	536	50	-	-	-	-	1 631	-	1 631
Administration expenses	750	307	734	543	-	1	25	184	2 544	-	2 544
Amortisation due to business combinations and impairments	-	-	-	-	-	-	-	23	23	-	23
Direct property expenses	-	-	-	-	-	-	-	-	-	224	224
Asset management and other fee expenses	-	-	-	-	-	-	-	4	4	304	308
Normalised headline earnings	495	116	333	286	(1)	(2)	(19)	294	1 502	-	1 502
Operating profit/(loss) ³	690	159	464	398	-	(1)	(25)	(25)	1 660	-	1 660
Tax on operating profit/(loss)	(195)	(45)	(131)	(111)	-	-	-	(36)	(518)	-	(518)
Investment income	-	-	-	-	-	-	8	378	386	-	386
Tax on investment income	-	-	-	-	-	-	(2)	(37)	(39)	-	(39)
Fair value (losses)/gains	-	3	-	(1)	(1)	(1)	-	11	11	-	11
Tax on fair value (losses)/gains	-	(1)	-	-	-	-	-	3	2	-	2
Covered	495	117	333	274	-	-	-	354	1 573	-	1 573
Non-covered	-	(1)	-	12	(1)	(2)	(19)	(60)	(71)	-	(71)
	495	116	333	286	(1)	(2)	(19)	294	1 502	-	1 502
Basis changes and investment variances ⁴	10	8	4	-	-	-	-	-	22	-	22
Actuarial liabilities	71 079	150 038	34 171	90 063	-	-	-	-	345 351	-	345 351

¹ The 'Reconciling items' column includes: investment contract business premiums and claims; non-recurring items included in administration expenses; direct property and asset management fees that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; and other minor adjustments to expenses and fee income.

² Other expenses consist 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 is normalised headline earnings less tax, investment income and fair value gains.

⁴ Included in normalised headline earnings and is net of tax.

MOMENTUM METROPOLITAN LIFE LIMITED LIMITED – SEGMENTAL INFORMATION

12 mths to 30.06.2019	Momentum Life	Momentum Investments	Metropolitan Retail	Momentum Corporate	Non-life Insurance	Africa	New Initiatives	Shareholders	Segmental total	Reconciling items ¹	IFRS total
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Revenue											
Net insurance premiums	9 213	20 908	7 052	20 397	-	-	-	-	57 570	(32 465)	25 105
Recurring premiums	8 795	534	5 931	12 009	-	-	-	-	27 269	(10 673)	16 596
Single premiums	418	20 374	1 121	8 388	-	-	-	-	30 301	(21 792)	8 509
Fee income	795	1 429	133	841	-	-	-	7	3 205	-	3 205
External fee income	795	1 429	133	841	-	-	-	7	3 205	-	3 205
Expenses											
Net payments to contract holders											
External payments	9 630	26 643	5 804	15 322	-	-	-	-	57 399	(36 978)	20 421
Other expenses ²	2 802	1 335	2 442	1 253	-	-	27	78	7 937	1 052	8 989
Sales remuneration	1 296	719	984	104	-	-	-	-	3 103	-	3 103
Administration expenses	1 506	616	1 458	1 149	-	-	27	27	4 783	-	4 783
Amortisation due to business combinations and impairments	-	-	-	-	-	-	-	45	45	-	45
Direct property expenses	-	-	-	-	-	-	-	-	-	410	410
Asset management and other fee expenses	-	-	-	-	-	-	-	6	6	642	648
Normalised headline earnings	966	219	610	512	-	-	(31)	622	2 898	-	2 898
Operating profit/(loss) ³	1 348	299	850	711	-	-	(37)	(78)	3 093	-	3 093
Tax on operating profit/(loss)	(382)	(84)	(240)	(199)	-	-	-	(66)	(971)	-	(971)
Investment income	-	-	-	-	-	-	8	758	766	-	766
Tax on investment income	-	-	-	-	-	-	(2)	(86)	(88)	-	(88)
Fair value (losses)/gains	-	5	-	-	-	-	-	103	108	-	108
Tax on fair value (losses)/gains	-	(1)	-	-	-	-	-	(9)	(10)	-	(10)
Covered	966	219	610	474	-	-	-	739	3 008	-	3 008
Non-covered	-	-	-	38	-	-	(31)	(117)	(110)	-	(110)
	966	219	610	512	-	-	(31)	622	2 898	-	2 898
Basis changes and investment variances ⁴	(125)	(16)	6	(26)	-	-	-	-	(161)	-	(161)
Actuarial liabilities	73 821	157 911	35 675	96 437	-	-	-	-	363 844	-	363 844

¹ The 'Reconciling items' column includes: investment contract business premiums and claims; non-recurring items included in administration expenses; direct property and asset management fees that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; and other minor adjustments to expenses and fee income.

² Other expenses consist 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 is normalised headline earnings less tax, investment income and fair value gains.

⁴ Included in normalised headline earnings and is net of tax.

MOMENTUM METROPOLITAN LIFE LIMITED – ADDITIONAL INFORMATION

ADOPTION OF NEW STANDARDS

IFRS 16 TRANSITIONAL ADJUSTMENTS

The company has applied IFRS 16 retrospectively from 1 July 2019, using the modified retrospective approach. Comparatives are not restated.

Prior to the adoption of IFRS 16, the majority of leases were accounted for as operating leases. Lease payments made were recognised in the income statement on a straight-line basis over the term of the lease. On adoption of IFRS 16, the company recognised lease liabilities of R475 million in relation to the leases measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 July 2019. The lease liability is included within Financial liabilities at amortised cost on the Statement of Financial Position.

Right-of-use assets of R417 million were recognised at 1 July 2019. The right-of-use assets were measured retrospectively based on the lease liability measured at lease commencement date, using the discount rate based on the lessee's incremental borrowing rate at 1 July 2019. R352 million is disclosed as part of Owner-occupied properties and R65 million is disclosed as part of Property and equipment on the Statement of Financial Position. The difference between the lease liability and right-of-use asset was recognised as an adjustment to retained earnings. There was also a R3 million increase in deferred tax assets.

Practical expedients used as allowed under IFRS 16:

- IFRS 16 has been applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.
- The company has not reassessed existing contracts as to whether they contain a lease as defined under IFRS 16.
- Leases ending within 12 months of the transition date will continue to be accounted for under IAS 17.

Depreciation on the right-of-use asset and finance costs on the finance lease liability is recognised in the income statement, instead of the operating lease expense as per IAS 17.

MOMENTUM METROPOLITAN LIFE LIMITED – ADDITIONAL INFORMATION

RESTATEMENTS

The following restatements were made to the statement of financial position for the following periods:

	Before restatement	Decluttering ¹	IFRS 9 ²	After restatement
	Rm	Rm	Rm	Rm
31.12.2018				
Financial assets at fair value through income	261 580	22 197	-	283 777
Investments in associates at fair value through income	19 856	(19 856)	-	-
Derivative financial assets at fair value through income	2 341	(2 341)	-	-
Financial assets at amortised cost	4 853	-	1 012	5 865
Insurance and other receivables	3 888	-	(1 012)	2 876
Financial liabilities at fair value through income	(8 679)	(2 068)		(10 747)
Derivative financial liabilities at fair value through income	(2 068)	2 068		-
30.06.2019				
Financial assets at fair value through income	273 547	23 646	-	297 193
Investments in associates at fair value through income	21 271	(21 271)	-	-
Derivative financial assets at fair value through income	2 375	(2 375)	-	-
Financial assets at amortised cost	7 343	-	-	7 343
Insurance and other receivables	2 600	-	-	2 600
Financial liabilities at fair value through income	(10 007)	(2 219)		(12 226)
Derivative financial liabilities at fair value through income	(2 219)	2 219		-

¹Investments in associates at fair value through income and Derivative financial assets at fair value through income are now included within Financial assets at fair value through income. Derivative financial liabilities at fair value through income are now included within Financial liabilities at fair value through income. These assets/liabilities are all at fair value and are not managed differently from one another, and therefore this change assists in decluttering of the financial statements. Comparatives have been restated accordingly.

²Upon transition of IFRS 9, policy loans of R1 billion were incorrectly reclassified from Financials assets at amortised cost to Insurance and other receivables in the December 2018 period. This was correctly presented in June 2019 as part of Financials assets at amortised cost.

MOMENTUM METROPOLITAN LIFE LIMITED – EARNINGS PER ORDINARY SHARE

EARNINGS PER ORDINARY SHARE	Basic earnings		
	6 mths to 31.12.2019 Rm	6 mths to 31.12.2018 Rm	12 mths to 30.06.2019 Rm
Attributable to owners of the parent			
Earnings (cents per share)	848	747	1 531
Normalised headline earnings (cents per share)	857	791	1 525
Weighted average number of shares (million)	190	190	190
Reconciliation of normalised headline earnings attributable to owners of the parent			
Earnings - equity holders of the company	1 612	1 420	2 909
Amortisation of intangible assets relating to business combinations	21	23	45
(Reversal of impairment) and impairment of group loans	(10)	18	(119)
Impairment of owner-occupied buildings below cost	16	60	66
Impairment of office equipment	-	-	22
Total tax effects of adjustments	(11)	(19)	(25)
Normalised headline earnings ¹	1 628	1 502	2 898

¹Normalised headline earnings consist of operating profit, investment income, net realised and unrealised fair value gains, investment variances and basis and other changes. It excludes amortisation of intangibles relating to business combinations.

MOMENTUM METROPOLITAN LIFE LIMITED LIMITED – FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS SUMMARISED BY MEASUREMENT CATEGORY IN TERMS OF IFRS 9 31.12.2019

	Fair Value Through Income			Fair Value Through Other Comprehensive Income	Amortised cost ²	Other measurement basis ²	Total
	Mandatorily	Designated ¹	Total fair value				
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Equity securities ³	41 954	-	41 954	-	-	-	41 954
Debt securities	7 920	81 774	89 694	-	-	-	89 694
Funds on deposit and other money market instruments	1 824	9 526	11 350	-	-	-	11 350
Unit-linked investments	156 539	-	156 539	-	-	-	156 539
Investments in subsidiaries	70 412	-	70 412	2 651	-	-	73 063
Derivative financial instruments	1 927	-	1 927	-	-	-	1 927
Financial assets at amortised cost	-	-	-	-	6 425	-	6 425
Insurance and other receivables (excluding accelerated rental and prepayments)	-	-	-	-	-	2 466	2 466
Cash and cash equivalents	-	-	-	-	11 519	-	11 519
Total financial assets	280 576	91 300	371 876	2 651	17 944	2 466	394 937
Investment contracts with DPF	-	-	-	-	-	21 427	21 427
Investment contracts designated at fair value through income	-	245 208	245 208	-	-	-	245 208
Derivative financial instruments	2 127	-	2 127	-	-	-	2 127
Subordinated call notes	-	5 184	5 184	-	-	-	5 184
Carry positions	-	4 257	4 257	-	-	-	4 257
Financial liabilities at amortised cost ⁴	-	-	-	-	-	464	464
Other payables (excluding premiums in advance and deferred revenue liability)	-	-	-	-	4 416	4 053	8 469
Total financial liabilities	2 127	254 649	256 776	-	4 416	25 944	287 136

¹ Assets designated at fair value mainly consists of policyholder assets which back policyholder liabilities which are carried at fair value through income. The amount of change, during the period and cumulatively, in the fair value of financial assets designated at fair value through income 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 were immaterial.

² The carrying amount of financial assets not at fair value through income approximates fair value.

³ Equity securities are classified as fair value through income at inception.

⁴ The amount included in the other measurement basis category relates to the IFRS 16 finance lease liabilities.

MOMENTUM METROPOLITAN LIFE LIMITED LIMITED – FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS SUMMARISED BY MEASUREMENT CATEGORY IN TERMS OF IFRS 9 Restated 31.12.2018

	Fair Value Through Income			Fair Value Through Other Comprehensive Income	Amortised cost ²	Other measurement basis ²	Total
	Mandatorily	Designated ¹	Total fair value				
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Equity securities ³	38 459	-	38 459	-	-	-	38 459
Debt securities	7 764	76 858	84 622	-	-	-	84 622
Funds on deposit and other money market instruments	1 080	9 234	10 314	-	-	-	10 314
Unit-linked investments ⁴	148 041	-	148 041	-	-	-	148 041
Investments in subsidiaries	60 090	-	60 090	2 605	-	-	62 695
Derivative financial instruments	2 341	-	2 341	-	-	-	2 341
Financial assets at amortised cost ⁵	-	-	-	-	5 865	-	5 865
Insurance and other receivables (excluding accelerated rental and prepayments) ⁵	-	-	-	-	-	2 603	2 603
Cash and cash equivalents	-	-	-	-	11 902	-	11 902
Total financial assets	257 775	86 092	343 867	2 605	17 767	2 603	366 842
Investment contracts with DPF	-	-	-	-	-	21 490	21 490
Investment contracts designated at fair value through income	-	224 308	224 308	-	-	-	224 308
Derivative financial instruments	2 068	-	2 068	-	-	-	2 068
Subordinated call notes	-	4 391	4 391	-	-	-	4 391
Carry positions	-	4 287	4 287	-	-	-	4 287
Financial liabilities at amortised cost	-	-	-	-	-	-	-
Other payables (excluding premiums in advance and deferred revenue liability)	-	-	-	-	3 851	4 027	7 878
Total financial liabilities	2 068	232 986	235 054	-	3 851	25 517	264 422

¹ Assets designated at fair value mainly consists of policyholder assets which back policyholder liabilities which are carried at fair value through income. The amount of change, during the period and cumulatively, in the fair value of financial assets designated at fair value through income 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 The carrying amount of financial assets not at fair value through income approximates fair value.

³ Equity securities are classified as fair value through income at inception.

⁴ Investments in associates at fair value through income is now included within Unit-linked investments. These assets are all at fair value and are not managed differently from one another, and therefore this change assists in decluttering of the financial statements. Comparatives of R20 billion have been restated accordingly.

⁵ Upon transition of IFRS 9, policy loans of R1 billion were incorrectly reclassified from Financials assets at amortised cost to Insurance and other receivables in the December 2018 period. This was correctly presented in June 2019 as part of Financials assets at amortised cost. December 2018 has been restated accordingly.

MOMENTUM METROPOLITAN LIFE LIMITED LIMITED – FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS SUMMARISED BY MEASUREMENT CATEGORY IN TERMS OF IFRS 9 Restated 30.06.2019

	Fair Value Through Income			Fair Value Through Other Comprehensive Income	Amortised cost ²	Other measurement basis ²	Total
	Mandatorily	Designated ¹	Total fair value				
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Equity securities ³	43 114	-	43 114	-	-	-	43 114
Debt securities	7 536	80 835	88 371	-	-	-	88 371
Funds on deposit and other money market instruments	1 264	10 477	11 741	-	-	-	11 741
Unit-linked investments ⁴	151 592	-	151 592	-	-	-	151 592
Investments in subsidiaries	67 936	-	67 936	2 657	-	-	70 593
Derivative financial instruments	2 375	-	2 375	-	-	-	2 375
Financial assets at amortised cost	-	-	-	-	7 343	-	7 343
Insurance and other receivables (excluding accelerated rental and prepayments)	-	-	-	-	-	2 442	2 442
Cash and cash equivalents	-	-	-	-	12 478	-	12 478
Total financial assets	273 817	91 312	365 129	2 657	19 821	2 442	390 049
Investment contracts with DPF	-	-	-	-	-	21 859	21 859
Investment contracts designated at fair value through income	-	237 550	237 550	-	-	-	237 550
Derivative financial instruments	2 219	-	2 219	-	-	-	2 219
Subordinated call notes	-	4 431	4 431	-	-	-	4 431
Carry positions	-	5 576	5 576	-	-	-	5 576
Financial liabilities at amortised cost	-	-	-	-	-	-	-
Other payables (excluding premiums in advance and deferred revenue liability)	-	-	-	-	4 996	4 259	9 255
Total financial liabilities	2 219	247 557	249 776	-	4 996	26 118	280 890

¹ Assets designated at fair value mainly consists of policyholder assets which back policyholder liabilities which are carried at fair value through income. The amount of change, during the period and cumulatively, in the fair value of financial assets designated at fair value through income 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 The carrying amount of financial assets not at fair value through income approximates fair value.

³ Equity securities are classified as fair value through income at inception.

⁴ Investments in associates at fair value through income is now included within Unit-linked investments. These assets are all at fair value and are not managed differently from one another, and therefore this change assists in decluttering of the financial statements. Comparatives of R21 billion have been restated accordingly.

MOMENTUM METROPOLITAN LIFE LIMITED LIMITED – 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 (that is, prices) or indirectly (that is, derived from prices).
- **Level 3:** Input for the asset or liability that is not based on observable market data (that is, unobservable input).

FINANCIAL ASSETS	Level 1	Level 2	Level 3	Total
31.12.2019	Rm	Rm	Rm	Rm
Securities at fair value through income	217 561	80 884	2 985	301 430
Equity securities				
Local listed	40 473	5	6	40 484
Foreign listed	1 371	-	-	1 371
Unlisted	-	-	99	99
Debt securities				
Stock and loans to government and other public bodies				
Local listed	31 050	8 902	-	39 952
Foreign listed	-	24	-	24
Unlisted	-	3 821	-	3 821
Other debt instruments				
Local listed	21	19 172	-	19 193
Foreign listed	-	364	-	364
Unlisted	-	25 434	906	26 340
Funds on deposit and other money market instruments	-	11 350	-	11 350
Unit-linked investments				
Collective investment schemes ¹				
Local unlisted or listed quoted	99 536	341	-	99 877
Foreign unlisted or listed quoted	43 262	41	112	43 415
Foreign unlisted unquoted	-	493	244	737
Other unit-linked investments				
Local unlisted or listed quoted	1 429	399	-	1 828
Local unlisted unquoted	401	8 628	1 445	10 474
Foreign unlisted unquoted	-	-	173	173
Foreign unlisted or listed quoted	1	-	-	1
Derivative financial instruments - Held for trading	17	1 910	-	1 927
Investments in subsidiaries	69 201	-	3 896	73 097
At fair value through income ¹	69 201	-	1 245	70 446
At fair value through other comprehensive income	-	-	2 651	2 651
	286 762	80 884	6 881	374 527

¹ Collective investment schemes and Investment in subsidiaries at fair value through income are classified as level 1 when there is an active market of transactions between investors and collective investment schemes based on a published price.

² There were no significant transfers between level 1 and level 2 assets in the current or prior periods.

MOMENTUM METROPOLITAN LIFE LIMITED LIMITED – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	Level 1	Level 2	Level 3	Total
Restated 31.12.2018 ¹	Rm	Rm	Rm	Rm
Securities at fair value through income	201 817	78 706	3 254	283 777
Equity securities				
Local listed	37 214	1	1	37 216
Foreign listed	1 206	-	-	1 206
Unlisted	-	4	33	37
Debt securities				
Stock and loans to government and other public bodies				
Local listed	27 668	9 248	-	36 916
Foreign listed	-	24	-	24
Unlisted	-	3 757	-	3 757
Other debt instruments				
Local listed	-	19 648	8	19 656
Foreign listed	-	351	-	351
Unlisted	-	22 629	1 289	23 918
Funds on deposit and other money market instruments	-	10 314	-	10 314
Unit-linked investments				
Collective investment schemes ²				
Local unlisted or listed quoted	96 703	1 093	-	97 796
Foreign unlisted or listed quoted	38 859	55	-	38 914
Foreign unlisted unquoted	-	394	303	697
Other unit-linked investments				
Local unlisted or listed quoted	167	3 008	-	3 175
Local unlisted unquoted	-	5 839	1 431	7 270
Foreign unlisted unquoted	-	-	189	189
Foreign unlisted or listed quoted	-	-	-	-
Derivative financial instruments - Held for trading	-	2 341	-	2 341
Investments in subsidiaries	59 312	-	3 383	62 695
At fair value through income ²	59 312	-	778	60 090
At fair value through other comprehensive income	-	-	2 605	2 605
	261 129	78 706	6 637	346 472

¹ Investments in associates at fair value through income is now included within the different classes of Unit-linked investments in order to provide more accurate and disaggregated information. Comparatives of R20 billion have been restated accordingly.

² Collective investment schemes and Investment in subsidiaries at fair value through income are classified as level 1 when there is an active market of transactions between investors and collective investment schemes based on a published price.

MOMENTUM METROPOLITAN LIFE LIMITED LIMITED – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	Level 1	Level 2	Level 3	Total
Restated 30.06.2019 ¹	Rm	Rm	Rm	Rm
Securities at fair value through income	213 773	80 503	2 917	297 193
Equity securities				
Local listed	41 647	2	-	41 649
Foreign listed	1 364	-	-	1 364
Unlisted	-	-	101	101
Debt securities				
Stock and loans to government and other public bodies				
Local listed	29 338	9 244	-	38 582
Foreign listed	-	26	-	26
Unlisted	-	4 045	-	4 045
Other debt instruments				
Local listed	-	19 771	-	19 771
Foreign listed	-	335	-	335
Unlisted	-	24 643	969	25 612
Funds on deposit and other money market instruments	-	11 741	-	11 741
Unit-linked investments				
Collective investment schemes ²				
Local unlisted or listed quoted	102 194	314	-	102 508
Foreign unlisted or listed quoted	37 451	24	-	37 475
Foreign unlisted unquoted	-	456	303	759
Other unit-linked investments				
Local unlisted or listed quoted	1 770	1 311	-	3 081
Local unlisted unquoted	-	6 225	1 408	7 633
Foreign unlisted unquoted	-	-	136	136
Foreign unlisted or listed quoted	-	-	-	-
Derivative financial instruments - Held for trading	9	2 366	-	2 375
Investments in subsidiaries	66 878	97	3 618	70 593
At fair value through income ²	66 878	97	961	67 936
At fair value through other comprehensive income	-	-	2 657	2 657
	280 651	80 600	6 535	367 786

¹ Investments in associates at fair value through income is now included within the different classes of Unit-linked investments in order to provide more accurate and disaggregated information. Comparatives of R21 billion have been restated accordingly.

² Collective investment schemes and Investment in subsidiaries at fair value through income are classified as level 1 when there is an active market of transactions between investors and collective investment schemes based on a published price.

MOMENTUM METROPOLITAN LIFE LIMITED LIMITED – FINANCIAL INSTRUMENTS

FINANCIAL LIABILITIES	Level 1	Level 2	Level 3	Total
31.12.2019	Rm	Rm	Rm	Rm
Investment contracts designated at fair value through income	-	245 180	28	245 208
Financial liabilities at fair value through income	-	11 568	-	11 568
Subordinated call notes	-	5 184	-	5 184
Carry positions	-	4 257	-	4 257
Derivative financial instruments - Held for trading	-	2 127	-	2 127
	-	256 748	28	256 776

FINANCIAL LIABILITIES	Level 1	Level 2	Level 3	Total
31.12.2018	Rm	Rm	Rm	Rm
Investment contracts designated at fair value through income	-	224 278	30	224 308
Financial liabilities at fair value through income	-	10 747	-	10 747
Subordinated call notes	-	4 392	-	4 392
Carry positions	-	4 287	-	4 287
Derivative financial instruments - Held for trading	-	2 068	-	2 068
	-	235 025	30	235 055

FINANCIAL LIABILITIES	Level 1	Level 2	Level 3	Total
30.06.2019	Rm	Rm	Rm	Rm
Investment contracts designated at fair value through income	-	237 521	29	237 550
Financial liabilities at fair value through income	-	12 226	-	12 226
Subordinated call notes	-	4 431	-	4 431
Carry positions	-	5 576	-	5 576
Derivative financial instruments - Held for trading	-	2 219	-	2 219
	-	249 747	29	249 776

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

MOMENTUM METROPOLITAN LIFE LIMITED – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS

6 mths to 31.12.2019	At fair value through income			Investments in subsidiaries At fair value through other comprehensive income		Total Rm
	Equity securities Rm	Debt securities Rm	Unit-linked investments Rm	At fair value through income Rm	compre- hensive income Rm	
Opening balance	101	969	1 847	961	2 657	6 535
Transfer from/(to) other asset classes	-	-	(231)	231	-	-
Total (losses)/gains in net realised and unrealised fair value gains in the income statement						
Realised (losses)/gains	(6)	19	2 991	(61)	-	2 943
Unrealised gains/(losses)	6	(76)	(71)	(39)	-	(180)
Total (losses)/gains in statement of other comprehensive income	-	-	-	-	(6)	(6)
Accrued interest in investment income in the income statement	-	25	(60)	60	-	25
Purchases	-	372	3 843	77	-	4 292
Sales	(2)	(399)	(6 457)	(15)	-	(6 873)
Settlements	-	(9)	231	(231)	-	(9)
Transfers into level 3	6	5	(119)	262	-	154
Transfers out of level 3	-	-	-	-	-	-
Closing balance	105	906	1 974	1 245	2 651	6 881

MOMENTUM METROPOLITAN LIFE LIMITED – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS

	At fair value through income			Investments in subsidiaries At fair value through other comprehensive income		Total Rm
	Equity securities Rm	Debt securities Rm	Unit-linked investments Rm	At fair value through income Rm	Rm	
Restated 6 mths to 31.12.2018 ¹						
Opening balance	34	1 612	1 084	947	2 328	6 005
Transfer from/(to) other asset classes	-	-	105	(105)	-	-
Total (losses)/gains in net realised and unrealised fair value gains in the income statement						
Realised (losses)/gains	(3)	15	65	(3)	-	74
Unrealised gains/(losses)	4	(12)	56	1	-	49
Total (losses)/gains in statement of other comprehensive income	-	-	-	-	(157)	(157)
Accrued interest in investment income in the income statement	-	47	-	-	-	47
Purchases	-	296	660	-	434	1 390
Sales	(1)	(622)	(210)	(62)	-	(895)
Settlements	-	(79)	(1)	-	-	(80)
Transfers into level 3 ²	-	40	248	-	-	288
Transfers out of level 3	-	-	(85)	-	-	(85)
Closing balance	34	1 297	1 922	778	2 605	6 636

¹ Investments in associates at fair value through income is now included within Unit-linked investments. These assets are all at fair value and are not managed differently from one another, and therefore this change assists in decluttering of the financial statements. Comparatives of R286 million have been restated accordingly.

² The transfer into level 3 unit-linked investments relates mainly to assets with stale prices. The timing of the transfers are deemed to have occurred at the beginning of the period.

MOMENTUM METROPOLITAN LIFE LIMITED – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS

Restated 12 mths to 30.06.2019 ¹	At fair value through income			Investments in subsidiaries At fair value through other comprehensive income		Total Rm
	Equity securities Rm	Debt securities Rm	Unit-linked investments Rm	At fair value through income Rm	Rm	
Opening balance	34	1 612	1 084	947	2 328	6 005
Total (losses)/gains in net realised and unrealised fair value gains in the income statement						
Realised (losses)/gains	(7)	19	151	(78)	-	85
Unrealised gains/(losses)	77	19	(67)	210	-	239
Total (losses)/gains in statement of other comprehensive income	-	-	-	-	(61)	(61)
Accrued interest in investment income in the income statement	-	80	117	(117)	-	80
Purchases	-	377	761	36	434	1 608
Sales	(2)	(654)	(416)	(37)	(44)	(1 153)
Settlements	-	(524)	(1)	-	-	(525)
Transfers into level 3 ²	-	40	303	-	-	343
Transfers out of level 3	(1)	-	(85)	-	-	(86)
Closing balance	101	969	1 847	961	2 657	6 535

¹ Investments in associates at fair value through income is now included within Unit-linked investments. These assets are all at fair value and are not managed differently from one another, and therefore this change assists in decluttering of the financial statements. Comparatives of R163 million have been restated accordingly.

² The transfer into level 3 unit-linked investments relates mainly to assets with stale prices. The timing of the transfers are deemed to have occurred at the beginning of the period.

MOMENTUM METROPOLITAN LIFE LIMITED – FINANCIAL INSTRUMENTS

Sensitivity of significant level 3 financial instrument assets measured at fair value to changes in key assumptions:

	At fair value through income		At fair value through other comprehensive income
	Debt securities	Unit-linked investments	Investments in subsidiaries
	Rm	Rm	Rm
31.12.2019			
Carrying amount	906	1 974	2 651
Assumption change	1% increase/ (decrease) in interest rates	10% increase/ (decrease) in unit price	10% increase/ (decrease) in valuation of subsidiary
Effect of increase in assumption	(9)	197	265
Effect of decrease in assumption	9	(197)	(265)

	At fair value through income		At fair value through other comprehensive income
	Debt securities	Unit-linked investments	Investments in subsidiaries
	Rm	Rm	Rm
Restated 31.12.2018 ¹			
Carrying amount	1 297	1 923	2 605
Assumption change	1% increase/ (decrease) in interest rates	10% increase/ (decrease) in unit price	10% increase/ (decrease) in valuation of subsidiary
Effect of increase in assumption	(13)	192	261
Effect of decrease in assumption	13	(192)	(261)

	At fair value through income		At fair value through other comprehensive income
	Debt securities	Unit-linked investments	Investments in subsidiaries
	Rm	Rm	Rm
Restated 30.06.2019 ¹			
Carrying amount	969	1 847	2 657
Assumption change	1% increase/ (decrease) in interest rates	10% increase/ (decrease) in unit price	10% increase/ (decrease) in valuation of subsidiary
Effect of increase in assumption	(10)	185	266
Effect of decrease in assumption	10	(185)	(266)

¹ Investments in associates at fair value through income is now included within Unit-linked investments. These assets are all at fair value and are not managed differently from one another, and therefore this change assists in decluttering of the financial statements. Comparatives of R286 million in December 2018 and R163 million in June 2019 have been restated accordingly.

MOMENTUM METROPOLITAN LIFE LIMITED – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL LIABILITIES

	At fair value through income	
	Investment contracts Rm	Total Rm
6 mths to 31.12.2019		
Opening Balance	29	29
Total unrealised losses in net realised and unrealised fair value gains in the income statement	(1)	(1)
Closing Balance	<u>28</u>	<u>28</u>

	At fair value through income	
	Investment contracts Rm	Total Rm
6 mths to 31.12.2018		
Opening Balance	25	25
Total unrealised gains in net realised and unrealised fair value gains in the income statement	5	5
Closing Balance	<u>30</u>	<u>30</u>

12 mths to 30.06.2019

Opening Balance	25	25
Total unrealised gains in net realised and unrealised fair value gains in the income statement	3	3
Contract holder movements		
Investment return	1	1
Closing Balance	<u>29</u>	<u>29</u>

Sensitivity: Increasing/decreasing the investment return by 10% would decrease/increase the carrying amount of level 3 financial instrument liabilities by R2.8 million (December 2018: R3.0 million and June 2019: R2.9 million) and R2.8 million (December 2018: R3.0 million and June 2019: R2.9 million) respectively.

MOMENTUM METROPOLITAN LIFE LIMITED – FINANCIAL INSTRUMENTS

VALUATION TECHNIQUES USED IN DETERMINING THE FAIR VALUE OF LEVEL 2 FINANCIAL ASSETS AND LIABILITIES

Company's valuation processes

The company'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 company's bi-annual reporting dates.

Instrument	Valuation basis	Main assumptions
Equities and similar securities		
<ul style="list-style-type: none"> • Listed, local and foreign 	External valuations/quoted prices	Management applies judgement if an adjustment of quoted prices is required due to an inactive market
Stock and loans to other public bodies		
<ul style="list-style-type: none"> • Listed, local 	Yield of benchmark (listed government) bond	Market input
<ul style="list-style-type: none"> • Listed, foreign 	Discounted cash flow (DCF), benchmarked against similar instrument with the same issuer	Market input
<ul style="list-style-type: none"> • Unlisted 	DCF, real interest rates, six-month JIBAR plus fixed spread or risk-free yield curve plus fixed spread	Market input and appropriate spread
Other debt securities		
<ul style="list-style-type: none"> • Listed, local 	DCF (BESA and ASSA bond perfect fit zero curve and other published real or nominal yields, uplifted with inflation), external valuations (linked notes), or published price quotations on JSE equity (preference shares) and interest rate market	Market input, uplifted with inflation
<ul style="list-style-type: none"> • Listed, foreign 	Published price quotations, external valuations that are based on published market input	Market input
<ul style="list-style-type: none"> • Unlisted 	DCF (market-related nominal and real discount rates, prime and dividend return rate, bank and credit default swap curves, three-month JIBAR plus fixed spread), external valuations	Market input and appropriate spread
Funds on deposit and other money market instruments		
<ul style="list-style-type: none"> • Listed 	DCF (market-related yields), issue price, or external valuations	Market input (based on quotes received from market participants and valuation agents)
<ul style="list-style-type: none"> • Unlisted 	Deposit rates, or DCF (market-related yields)	Market input (based on quotes received from market participants and valuation agents)

MOMENTUM METROPOLITAN LIFE LIMITED – FINANCIAL INSTRUMENTS

Instrument	Valuation basis	Main assumptions
Unit-linked investments	External valuations	Net asset value (assets and liabilities are carried at fair value)
Derivative assets and liabilities	Black-Scholes model/net present value of estimated floating costs less the performance of the underlying index over the contract term/DCF (using fixed contract rates and market-related variable rates adjusted for credit risk, credit default swap premiums, offset between strike price and market projected forward value, yield curve of similar market-traded instruments)	Market input, credit spreads, contract inputs
Subordinated call notes (Liability)	Price quotations on JSE interest rate market (which are based on yield of benchmark bond)	Market input
Carry positions (Liability)	DCF (in accordance with JSE interest rate market repo pricing methodology)	Market input, contract input

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

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Description	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Financial assets				
Securities at fair value through income				
Equity securities				
Unlisted	Net asset value	Fair value of the respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
	Mark to model	Adjusted price earnings ratios	Could vary significantly due to the different risks associated with the investee	The higher the price-earnings multiple, the greater the fair value
Debt securities				
Other debt instruments				
Local listed	Mark to model	Fair value of underlying assets	Could vary significantly based on the assets held to match the notes	The higher the value of the underlying assets the greater the fair value
Unlisted	Discounted cash flow	Nominal interest rate	8.48% to 10.81%; 8.26% to 11.31% (31.12.2018: 7.95% to 11.42%; 5.45% to 15.40%) (30.06.2019: 8.26% to 10.69%; 8.43% to 11.55%)	The higher the nominal interest rate the lower the fair value of the assets
	Mark to model	Adjustments to market-related inputs as a result of inactivity	Could vary significantly due to the different risks associated with the investee	The greater the adjustments, the lower the fair value
	Net asset value	Fair value of the respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV the greater the fair value
Unit linked investments				
Collective investment schemes				
Foreign unlisted unquoted	Net asset value	Fair value of the respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV the greater the fair value

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

Description	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Other unit-linked investments				
Local unlisted unquoted	Adjusted net asset value method	Price per unit	Could vary significantly due to range of holdings	The higher the price per unit, the higher the fair value
		Distributions or net cash flows since last valuation	Could vary significantly due to range of holdings	The fair value varies on distributions/net cash flows and period since last valuation
Foreign unlisted unquoted	Adjusted net asset value method	Price per unit	Could vary significantly due to range of holdings	The higher the price per unit, the higher the fair value
Investments in subsidiaries at fair value through income	Net asset value	Fair value of the respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV the greater the fair value
Foreign unlisted unquoted	Adjusted net asset value method	Price per unit	Could vary significantly due to range of holdings	The higher the price per unit, the higher the fair value
Financial liabilities				
Investment contracts designated at fair value through income	Asset and liability matching method	Asset value	Unit price	The asset value increase will increase the fair value of the liability

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