

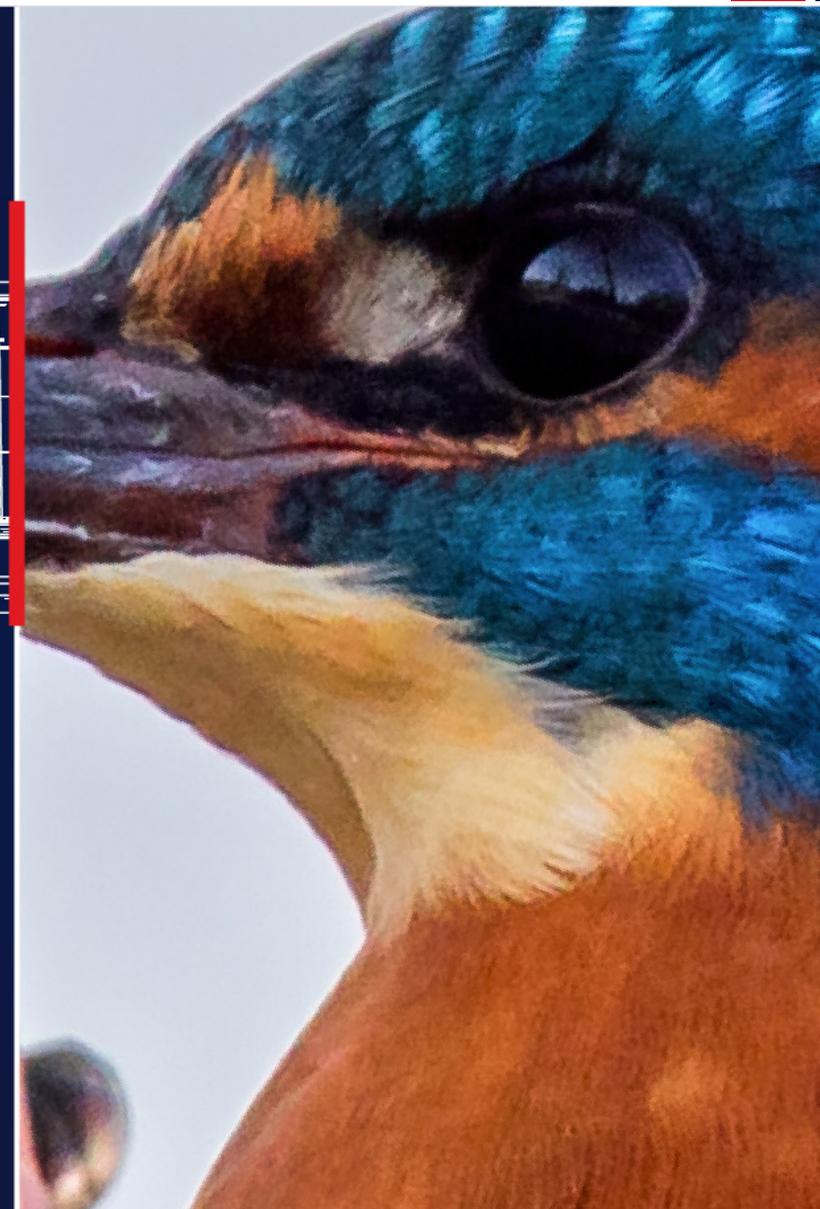
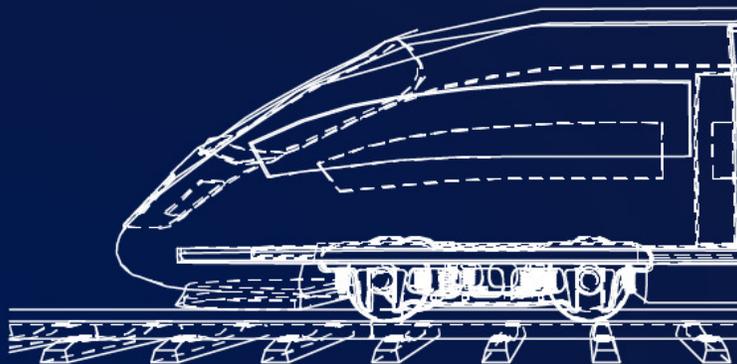
Capital management to shift gears

Risto Ketola
Group Financial Director

24

Agenda

- 1** Recap: Reset and Grow
- 2** Earnings targets discussion
- 3** Cash generation
- 4** Approach to capital management



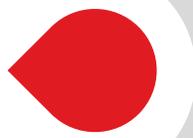
1

Recap: Reset and Grow



RECAP: RESET AND GROW

Normalised headline earnings
R3.6 to R4 billion



- Adjusting for direct Covid-19 impact would get towards the lower end of the target range
- Normalised headline earnings target to be achieved

Cost efficiency
R500 million saving



- By March 21 achieved R900 million (after-tax) savings relative to F2018
- Comparable expense base increased by 2% p.a. over three years:
 - Distribution related expenses grew by 5% p.a.
 - Product & service related expenses grew by 1% p.a.
 - Head-office cost declined by 2% p.a.

Non-life Insurance
R300 million uplift



- R300 million growth expected to be achieved
- Marginally behind when deducting contribution from Momentum Insurance acquisition, impacted by BI claims

Losses on New Initiatives
R100 million reduction



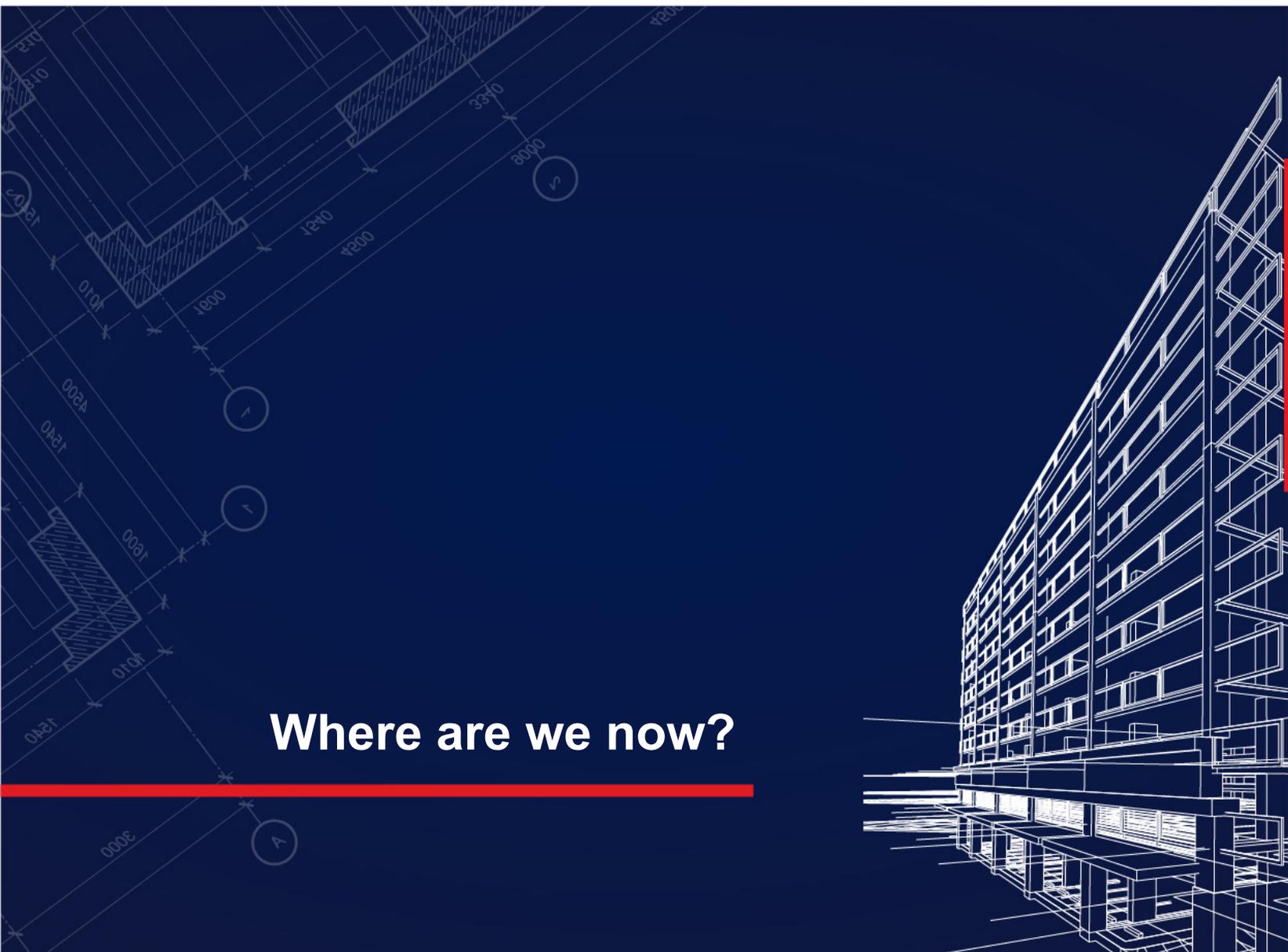
- Losses on New Initiatives increased slightly from F2018
- India JV performing in line with plans
- Other new initiatives (aYo, Multiply Money, Lending) lagging original plans

HOW DID WE DO ON OUR PREVIOUS TARGETS?

2

Earnings targets discussion





Where are we now?



BASE NORMALISED HEADLINE EARNINGS

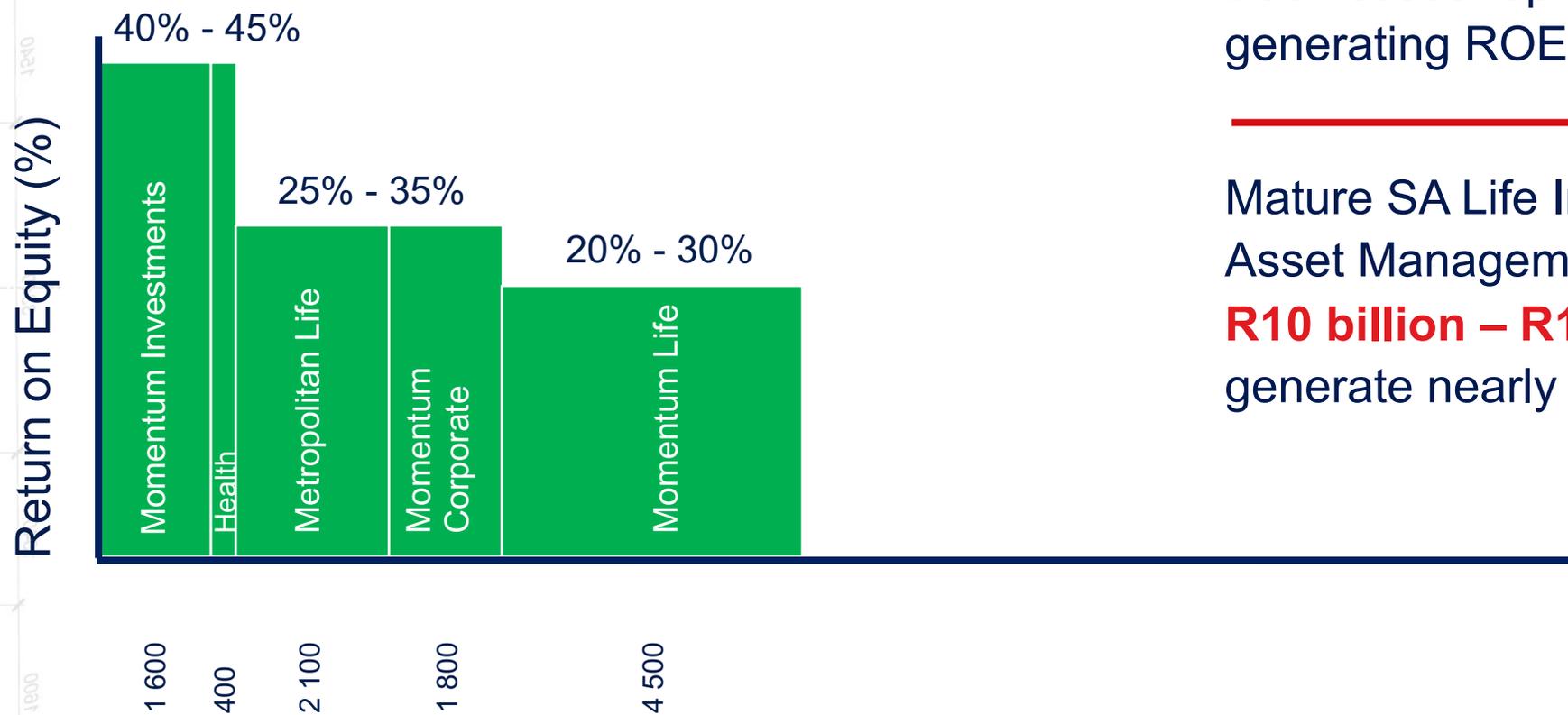
Current annual underlying NHE (R' Million)	
Momentum Life	900 – 950
Momentum Investments	700 – 750
Metropolitan Life	600 – 650
Momentum Corporate	450 – 500
Momentum Metropolitan Health	150 – 200
Momentum Metropolitan Africa	400 – 450
Non-Life Insurance	550 – 600
New Initiatives	(400) – (350)
Shareholders	(200) – (150)
Group Total	3 200 – 3 600

70% of earnings base driven by core Life Insurance businesses

15% of earnings from Non-life Insurance activities

Remaining **15%** of earnings spread across Asset Management and Health Administration operations.

HIGHLY PROFITABLE MATURE OPERATIONS



Net Asset Value (R' million) as at 30 June 2020

Businesses representing **50%** of NAV generating ROE of **25%** to **30%**

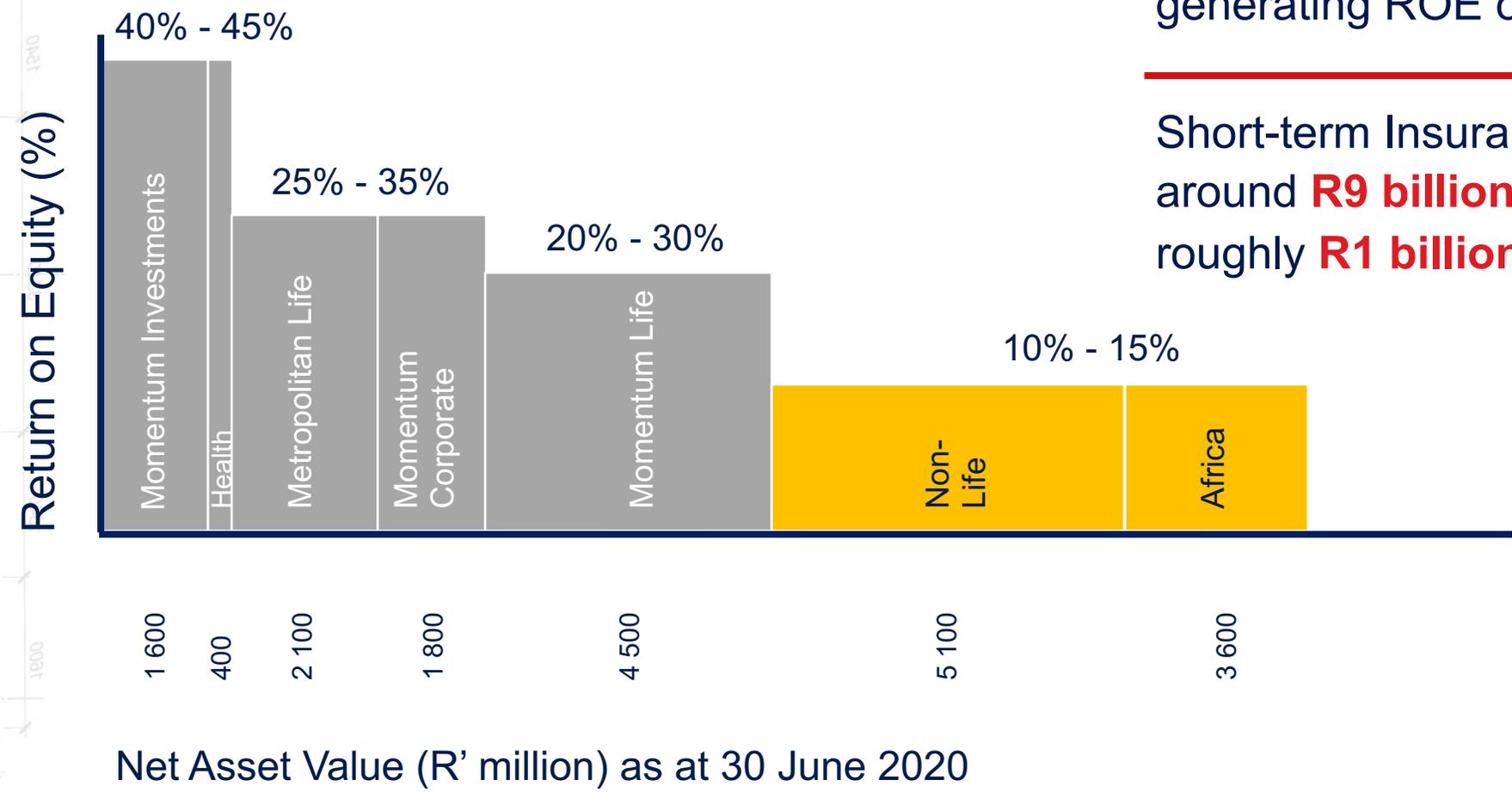
Mature SA Life Insurance, Health, and Asset Management operations utilise **R10 billion – R11 billion** of capital but generate nearly **R3 billion** of profit p.a.

HOW EFFICIENTLY ARE WE USING OUR CAPITAL?

IMPROVING RETURNS FROM NON-LIFE INSURANCE AND AFRICA

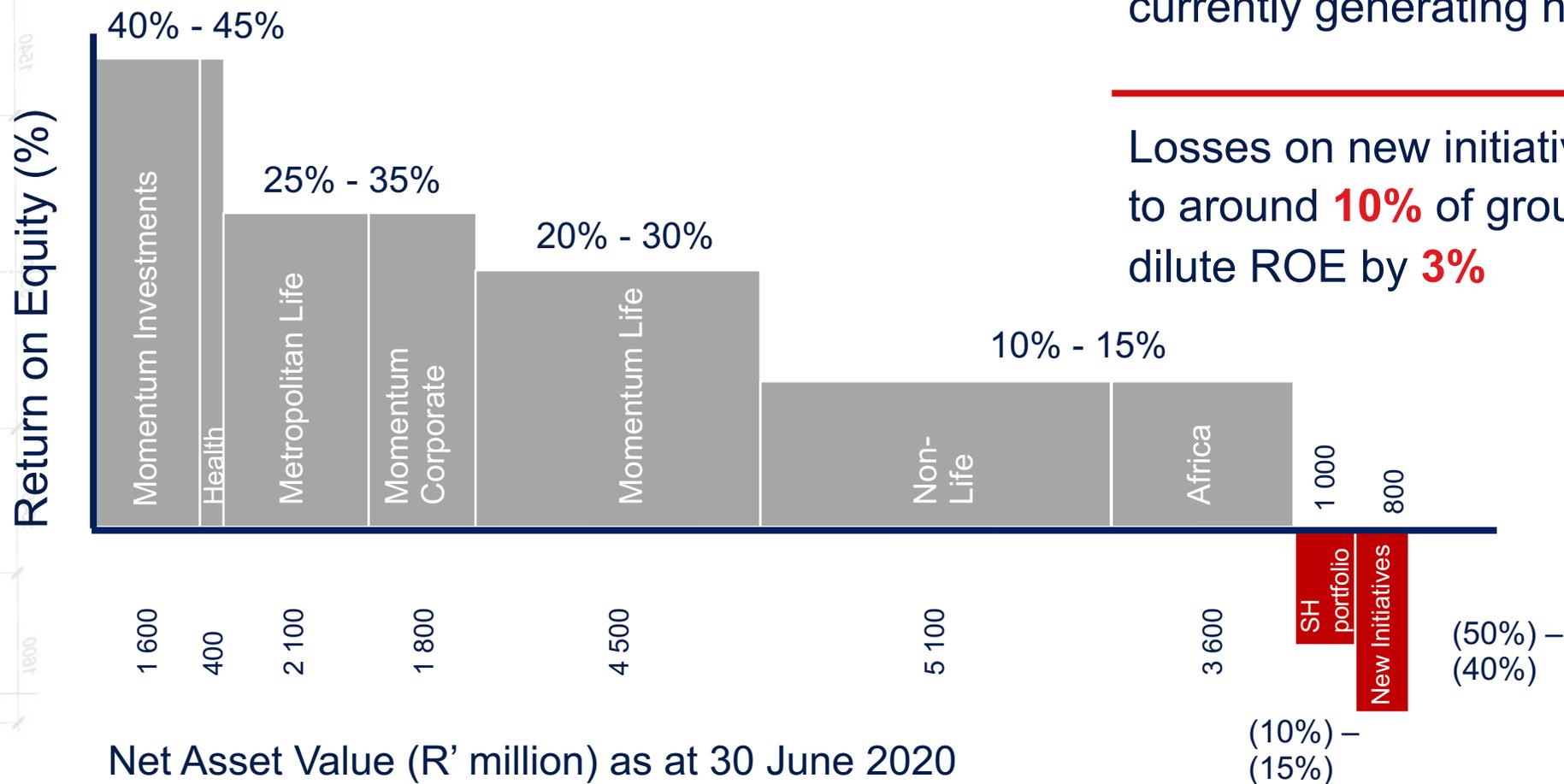
Businesses representing **40%** of NAV generating ROE of **10%** to **15%**

Short-term Insurance and Africa utilise around **R9 billion** of capital to generate roughly **R1 billion** of earnings



HOW EFFICIENTLY ARE WE USING OUR CAPITAL?

INVESTING SIGNIFICANTLY IN NEW INITIATIVES

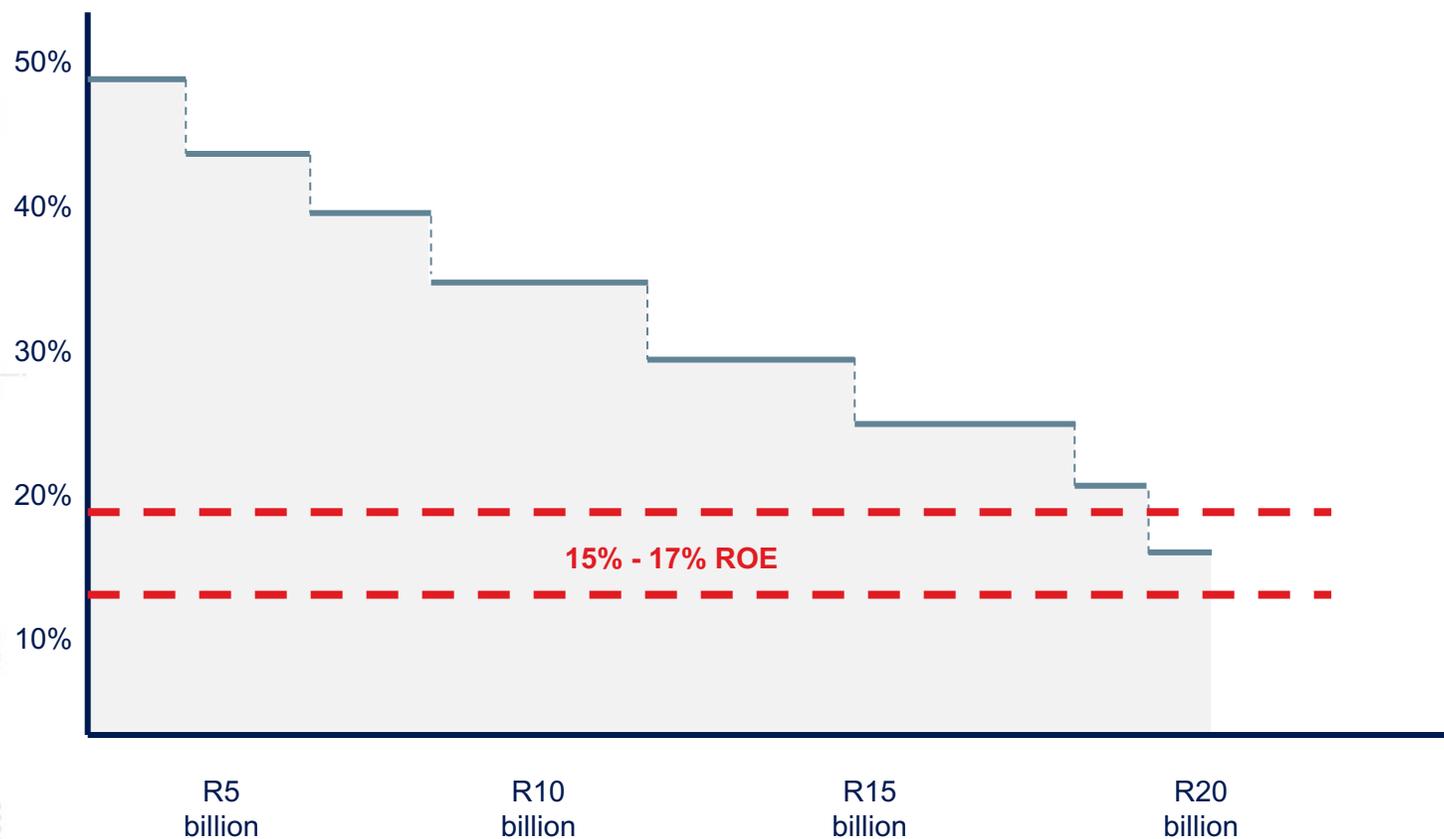


Activities representing **10%** of NAV currently generating negative ROE

Losses on new initiatives currently equate to around **10%** of group earnings and dilute ROE by **3%**

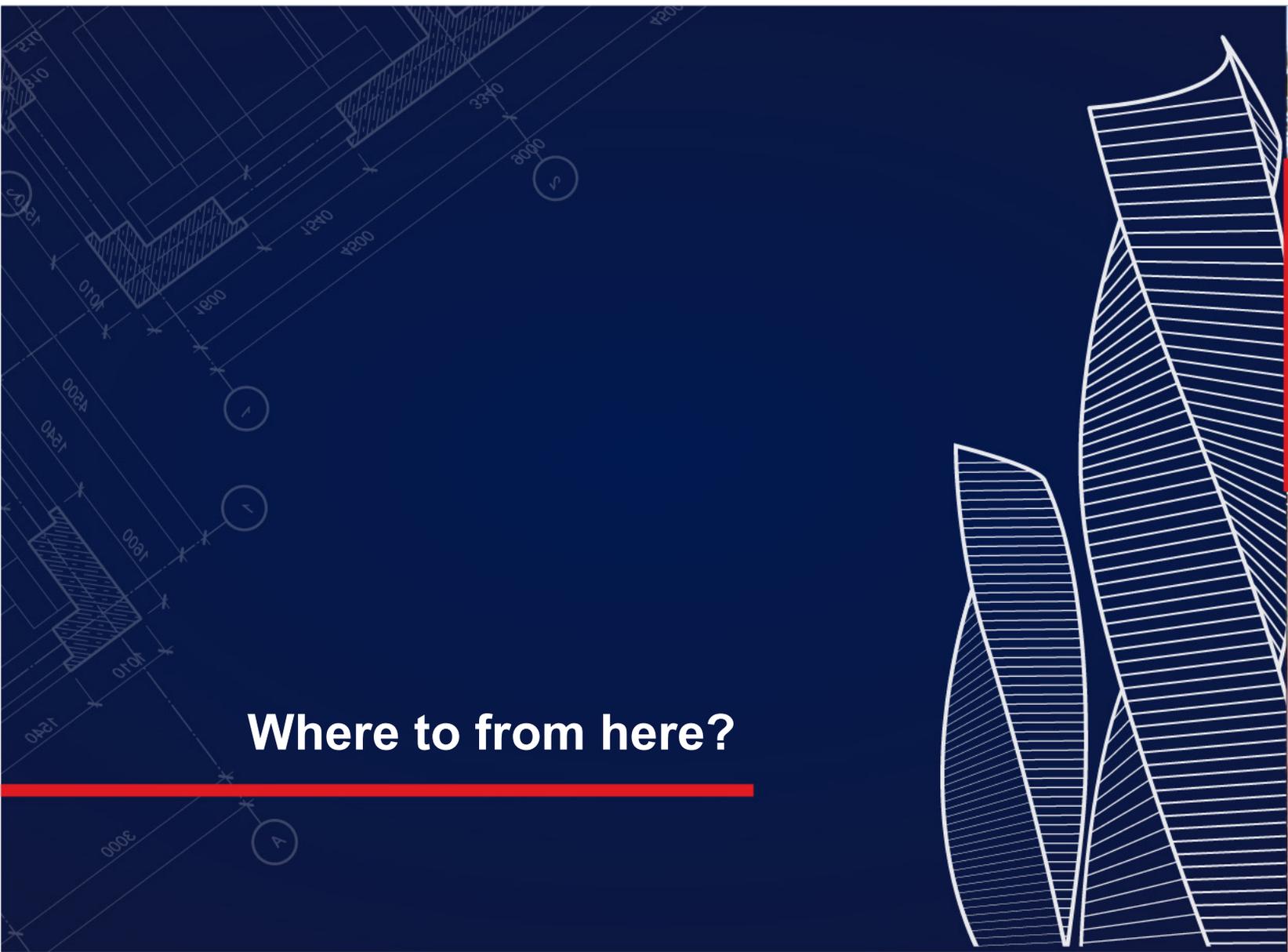
HOW EFFICIENTLY ARE WE USING OUR CAPITAL?

CUMULATIVE ROE FOR MMH



Momentum Metropolitan
 Delivering ROE of
15%-17% on a NAV of
R21 billion as at
 30 June 2020

HOW EFFICIENTLY ARE WE USING OUR CAPITAL?



Where to from here?



REINVENT AND GROW STRATEGY



REINVENT AND GROW

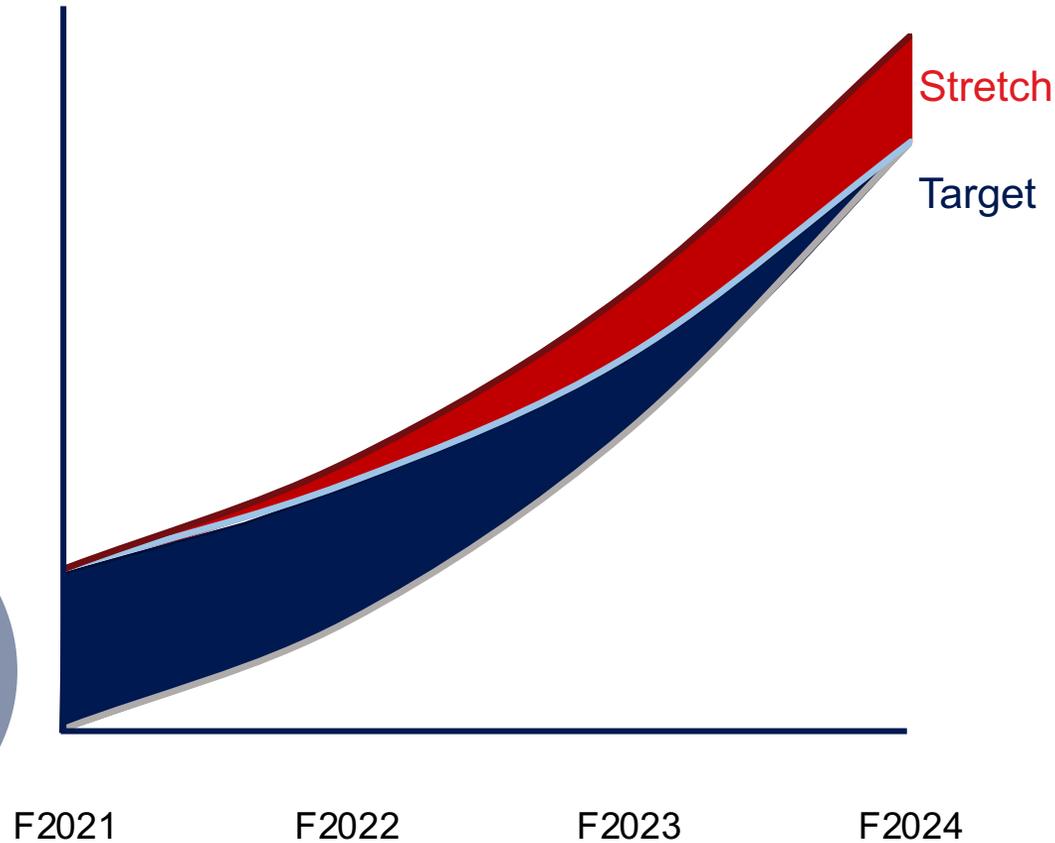


Grow existing channels

Establish new channels

Accelerate digital

Product and service leadership



NHE R5 billion

>R500 million cost efficiencies

Non-life insurance contributes 20% of NHE

Market share +1% to +6%

ROE 20%

REINVENT AND GROW TARGETS

R'Million	Current		F24 target	Expected underlying growth
Momentum Life	900 – 950	➔	1 150 – 1 200	5 – 10% p.a.
Momentum Investments	700 – 750			
Metropolitan Life	600 – 650			
Momentum Corporate	450 – 500			
Health	150 – 200			
Africa	400 – 450			
Non-Life	550 – 600			
New Initiatives	(400) – (350)			
Shareholders	(200) – (150)			
Total	3 200 – 3 600			

EARNINGS TARGETS

REINVENT AND GROW TARGETS

R'Million	Current	F24 target	Expected underlying growth
Momentum Life	900 – 950		
Momentum Investments	700 – 750 	750 – 800	0 – 5% p.a.
Metropolitan Life	600 – 650		
Momentum Corporate	450 – 500		
Health	150 – 200		
Africa	400 – 450		
Non-Life	550 – 600		
New Initiatives	(400) – (350)		
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EARNINGS TARGETS

REINVENT AND GROW TARGETS

R'Million	Current	F24 target	Expected underlying growth
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Metropolitan Life	600 – 650 	700 – 750	5 – 10% p.a.
Momentum Corporate	450 – 500		
Health	150 – 200		
Africa	400 – 450		
Non-Life	550 – 600		
New Initiatives	(400) – (350)		
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EARNINGS TARGETS

REINVENT AND GROW TARGETS

R'Million	Current	F24 target	Expected underlying growth
Momentum Life	900 – 950		
Momentum Investments	700 – 750		
Metropolitan Life	600 – 650		
Momentum Corporate	450 – 500 	500 – 550	0 – 5% p.a.
Health	150 – 200		
Africa	400 – 450		
Non-Life	550 – 600		
New Initiatives	(400) – (350)		
Shareholders	(200) – (150)		
Total	3 200 – 3 600		

EARNINGS TARGETS

REINVENT AND GROW TARGETS

R'Million	Current	F24 target	Expected underlying growth
Momentum Life	900 – 950		
Momentum Investments	700 – 750		
Metropolitan Life	600 – 650		
Momentum Corporate	450 – 500		
Health	150 – 200 	200 – 250	5 – 10% p.a.
Africa	400 – 450		
Non-Life	550 – 600		
New Initiatives	(400) – (350)		
Shareholders	(200) – (150)		
Total	3 200 – 3 600		

EARNINGS TARGETS

REINVENT AND GROW TARGETS

R'Million	Current	F24 target	Expected underlying growth
Momentum Life	900 – 950		
Momentum Investments	700 – 750		
Metropolitan Life	600 – 650		
Momentum Corporate	450 – 500		
Health	150 – 200		
Africa	400 – 450 	500 – 550	5 – 10% p.a.
Non-Life	550 – 600		
New Initiatives	(400) – (350)		
Shareholders	(200) – (150)		
Total	3 200 – 3 600		

EARNINGS TARGETS

REINVENT AND GROW TARGETS

R'Million	Current	F24 target	Expected underlying growth
Momentum Life	900 – 950		
Momentum Investments	700 – 750		
Metropolitan Life	600 – 650		
Momentum Corporate	450 – 500		
Health	150 – 200		
Africa	400 – 450		
Non-Life	550 – 600 	850 – 900	15 – 20% p.a.
New Initiatives	(400) – (350)		
Shareholders	(200) – (150)		
Total	3 200 – 3 600		

EARNINGS TARGETS

REINVENT AND GROW TARGETS

R'Million	Current	F24 target	Expected underlying growth
Momentum Life	900 – 950		
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Momentum Corporate	450 – 500		
Health	150 – 200		
Africa	400 – 450		
Non-Life	550 – 600		
New Initiatives	(400) – (350) 	100 – 150	> 100%
Shareholders	(200) – (150)		
Total	3 200 – 3 600		

EARNINGS TARGETS

REINVENT AND GROW TARGETS

R'Million	Current	F24 target	Expected underlying growth
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Health	150 – 200		
Africa	400 – 450		
Non-Life	550 – 600		
New Initiatives	(400) – (350)		
Shareholders	(200) – (150) 	(200) – (150)	±0% p.a.
Total	3 200 – 3 600		

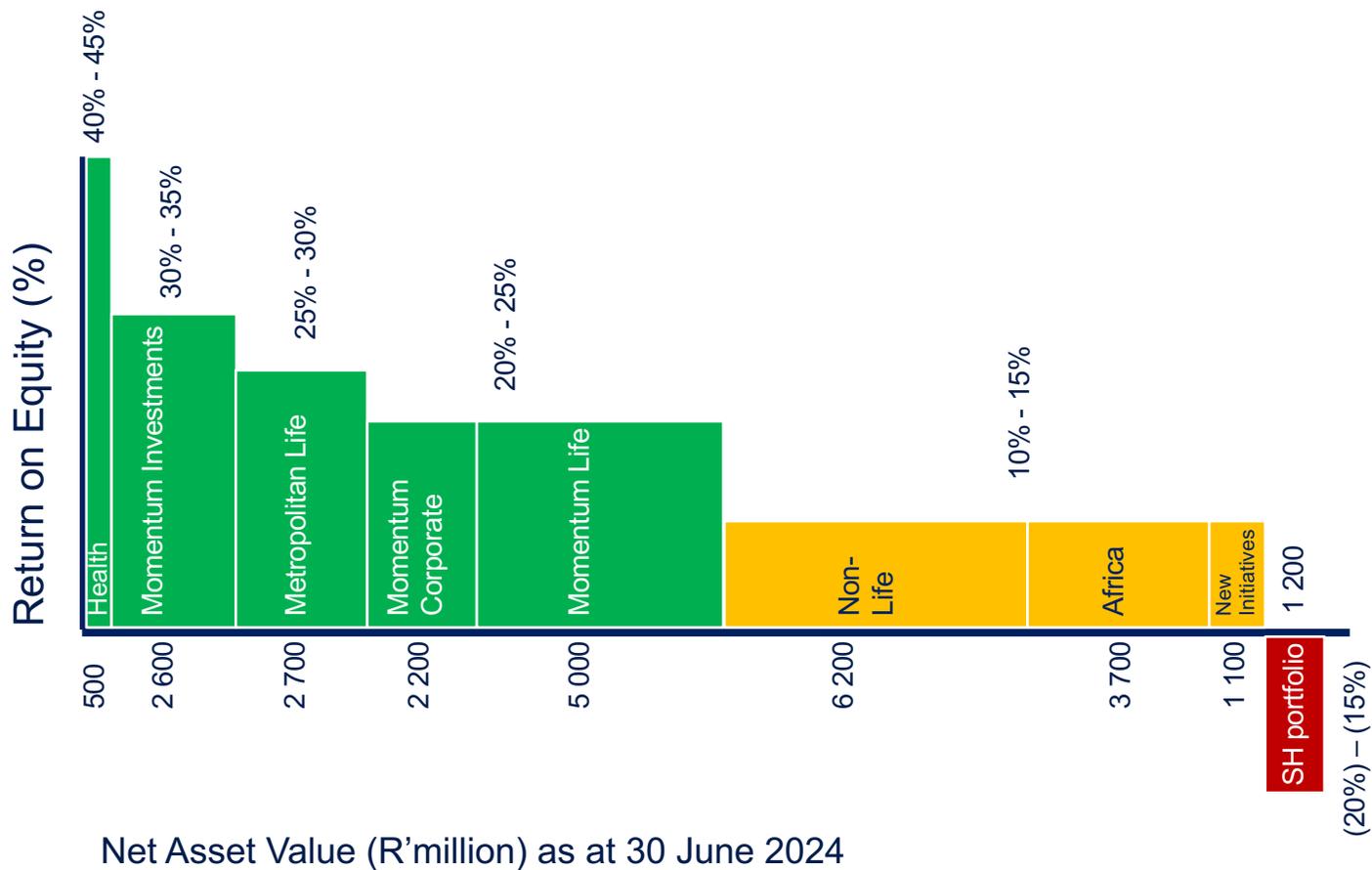
EARNINGS TARGETS

REINVENT AND GROW TARGETS

R'Million	Current	F24 target	Expected underlying growth
Momentum Life	900 – 950	1 150 – 1 200	
Momentum Investments	700 – 750	750 – 800	
Metropolitan Life	600 – 650	700 – 750	
Momentum Corporate	450 – 500	500 – 550	
Health	150 – 200	200 – 250	
Africa	400 – 450	500 – 550	
Non-Life	550 – 600	850 – 900	
New Initiatives	(400) – (350)	100 – 150	
Shareholders	(200) – (150)	(200) – (150)	
Total	3 200 – 3 600 →	4 600 – 5 000	10 – 15% p.a.

EARNINGS TARGETS

REINVENT AND GROW TARGETS



Momentum Metropolitan targeting ROE of **18% – 20%** by 30 June 2024

ROE TARGETS FOR F2024

REINVENT AND GROW TARGETS

F2024

**R4.6 billion –
R5.0 billion**
NHE

18% – 20%
ROE

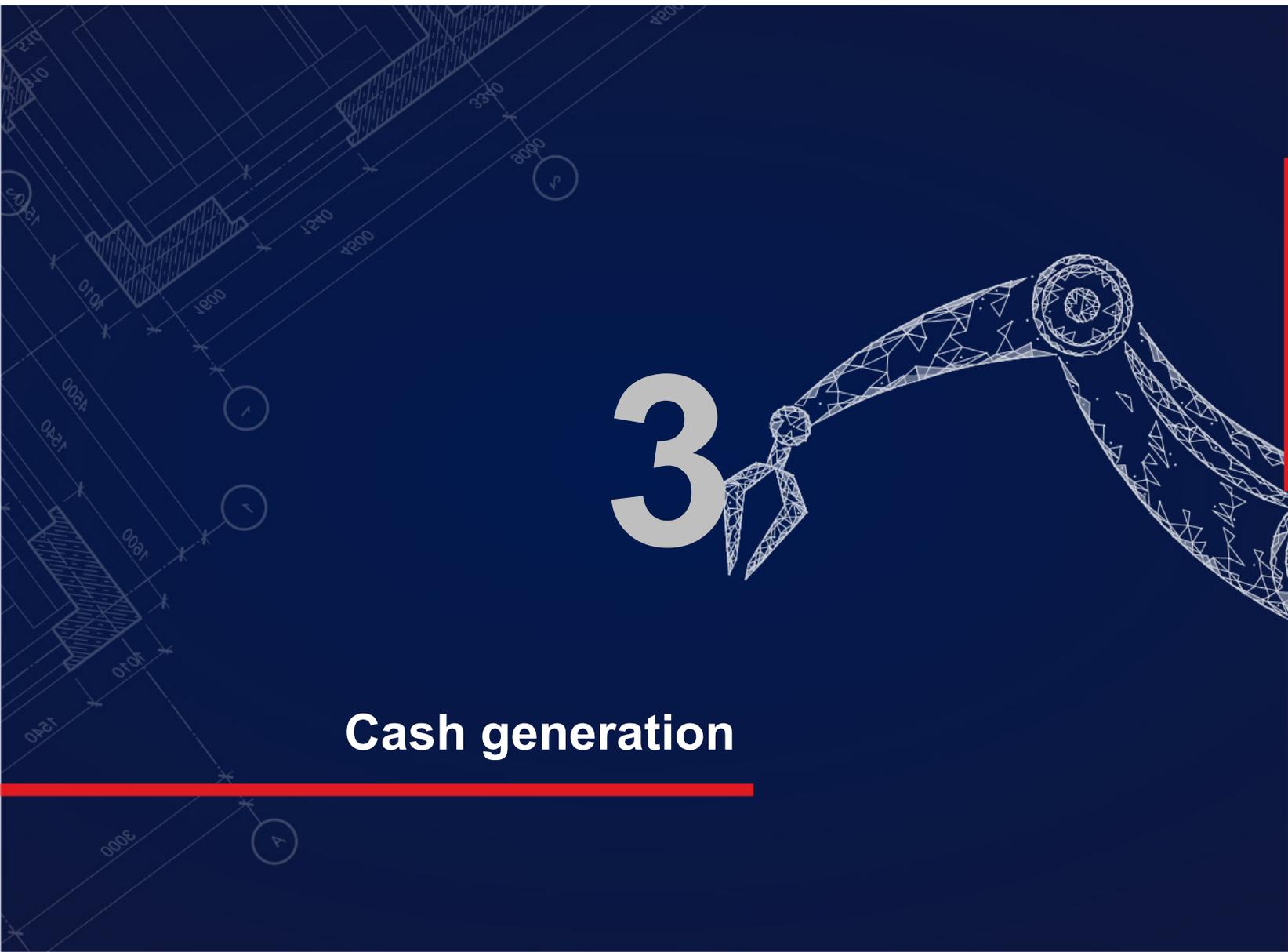
Profit from protection business to increase by R600 million

Non-life profits to grow by R300 million

New initiatives to improve by R500 million

F2024 targeted annual underlying NHE

Momentum Life	1 150 – 1 200
Momentum Investments	750 – 800
Metropolitan Life	700 – 750
Momentum Corporate	500 – 550
Momentum Metropolitan Health	200 – 250
Momentum Metropolitan Africa	500 – 550
Non-Life	850 – 900
New Initiatives	100 – 150
Shareholders	(200) – (150)
Total	4 600 – 5 000



3

Cash generation



HOW DO WE DEFINE CASH GENERATION

We define cash generation as:

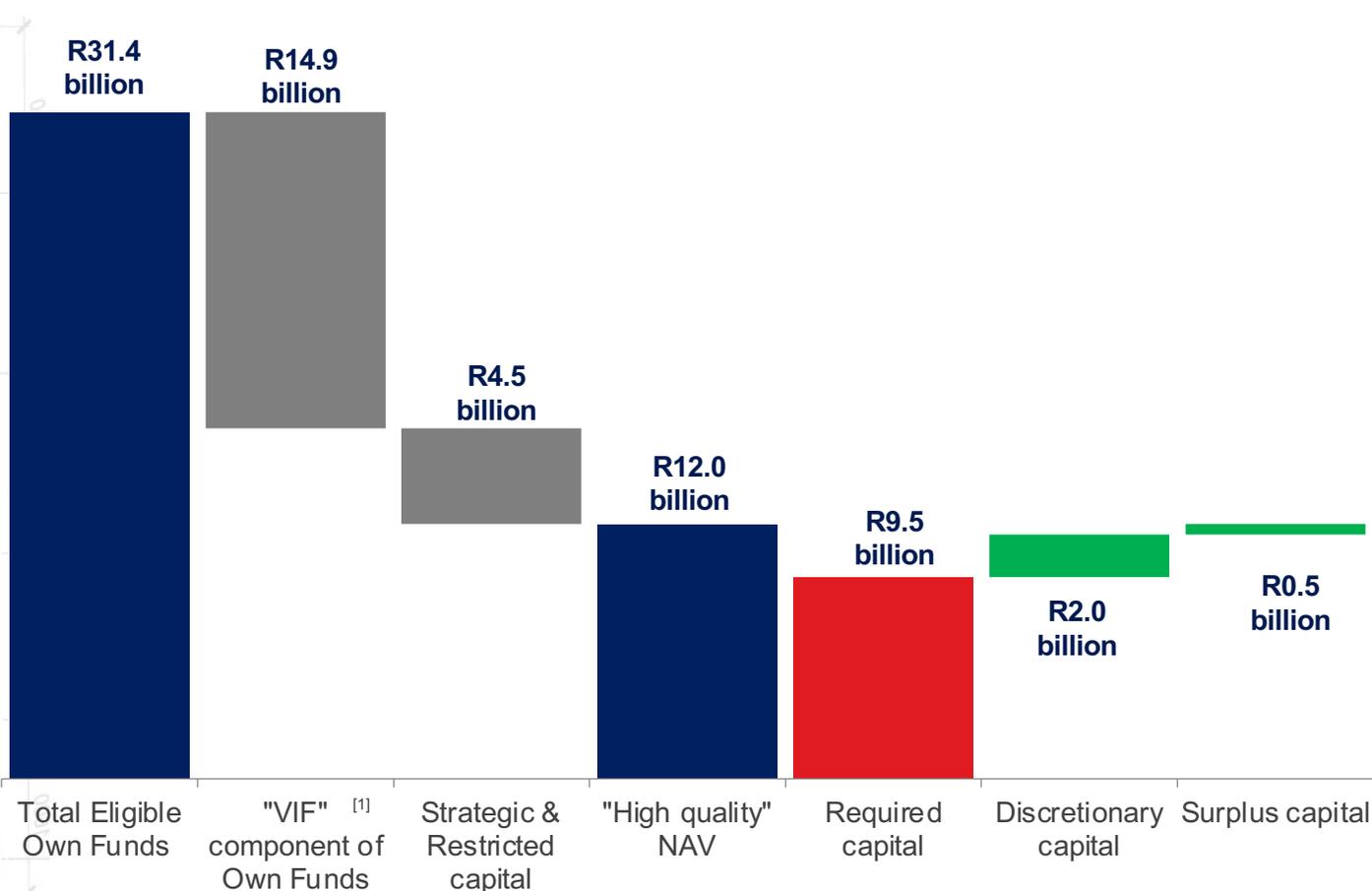
Dividends that can be paid up to Holdings after taking into account:

- Business unit earnings
- Business unit “business as usual” reinvestment needs
- Regulatory capital requirements
- Internal capital targets (**this is a critical item**)
- Liquidity position of the business unit

Less specific capital investments that need to be ultimately funded by Holdings

- India would be the biggest of these items
- Large planned projects (e.g. technology modernisation in some business units) are also specifically modelled as a reduction in cash generated

UNDERSTANDING KEY LIFE CAPITAL TARGETS



New work on capital has resulted in some changes:

- Quantitative work suggests that MML can operate on slightly lower capital targets than previously assumed
- Qualitative review shows that we need to take quality of the available capital increasingly into account
- Have combined qualitative and quantitative views to set **Required Capital at R9.5 billion** and **Target Capital at R11.5 billion**
- "Capital" here refers to NAV after removal of illiquid / hard to access sources of capital

NEW TARGET CAPITAL RANGE

[1] VIF: Value of in-force

CASH GENERATION FROM SA LIFE BUSINESS

We expect Target Capital Needed to grow slowly (less than R500 million p.a.) over the next three years

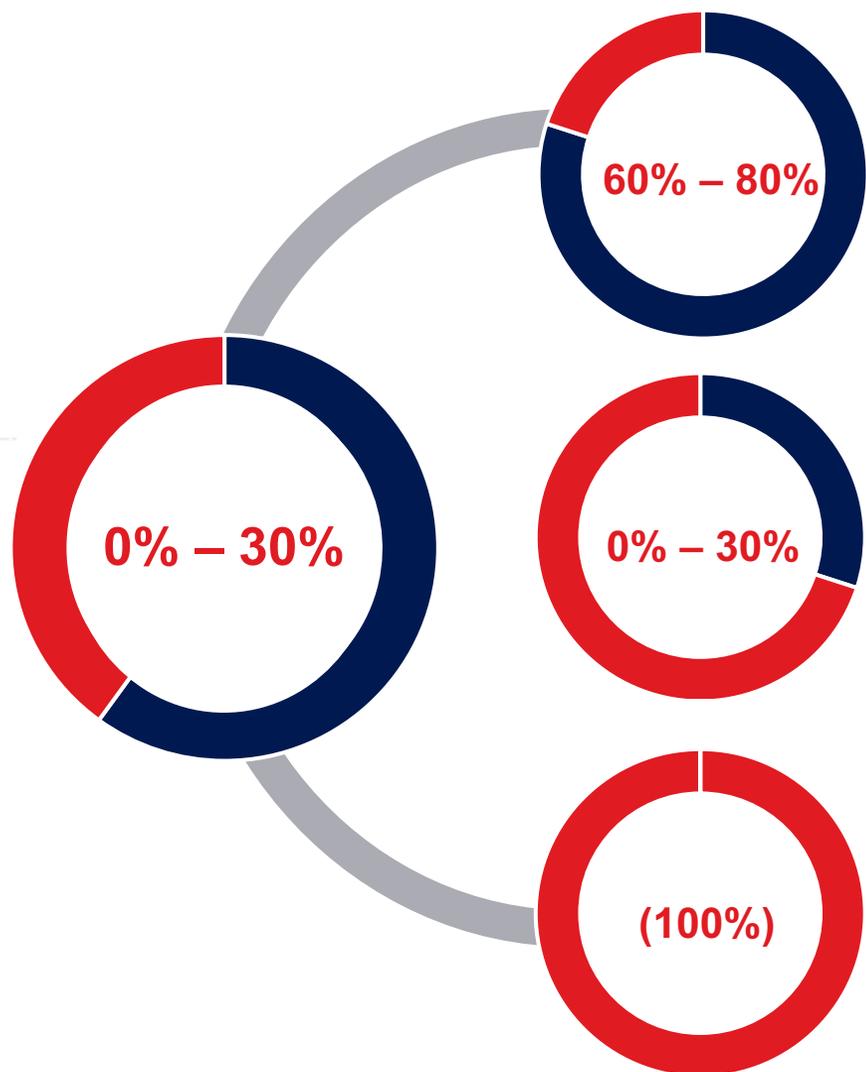
We need to retain less than R500 million p.a. of the earnings generated in the next few years

Maturity of the book, diversified mix of business, conservative negative reserves, and active liquidity management means there are minimal other constraints

The underlying annual earnings for MML should be in the region of R3 billion p.a.

80% – 90% pay-out ratio from SA Life Insurance businesses is realistic

CASH GENERATION FROM OTHER OPERATIONS

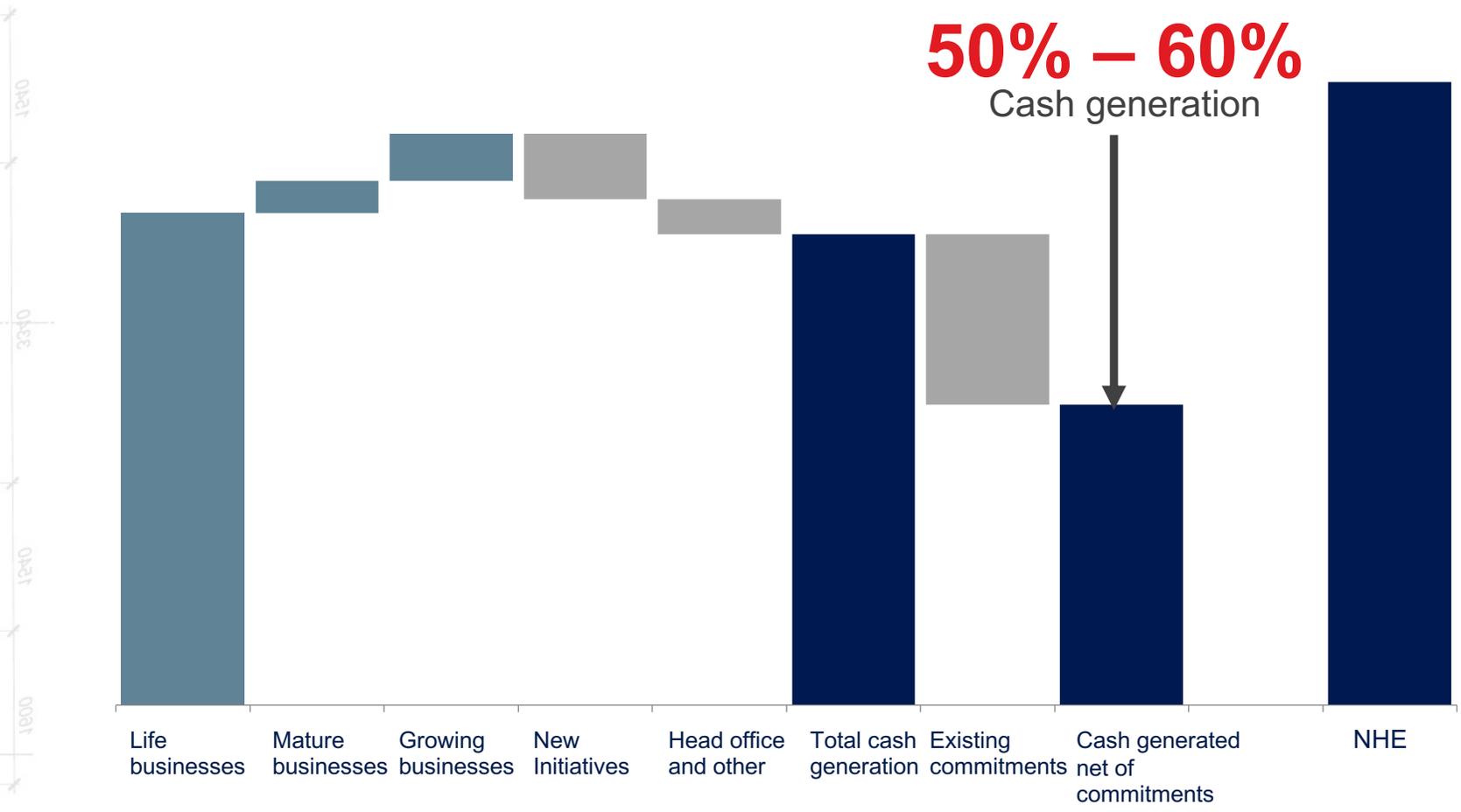


Mature businesses converts **60% – 80%** of normalised headline earnings to cash

Growing businesses converts **0% – 30%** of normalised headline earnings to cash

New initiatives are **100%** cash funded i.e. negative conversion

GROUP CASH GENERATION



50% – 60%
Cash generation

33% – 50% pay-out from dividend policy

Around **R500 million** surplus capital generation p.a. on current dividend policy

Dividend policy to be reconsidered once current New Initiatives become self-funding

TOTAL CASH GENERATION

4

Approach to capital management



APPROACH TO CAPITAL MANAGEMENT

We will not hoard capital – will distribute surplus arising regularly

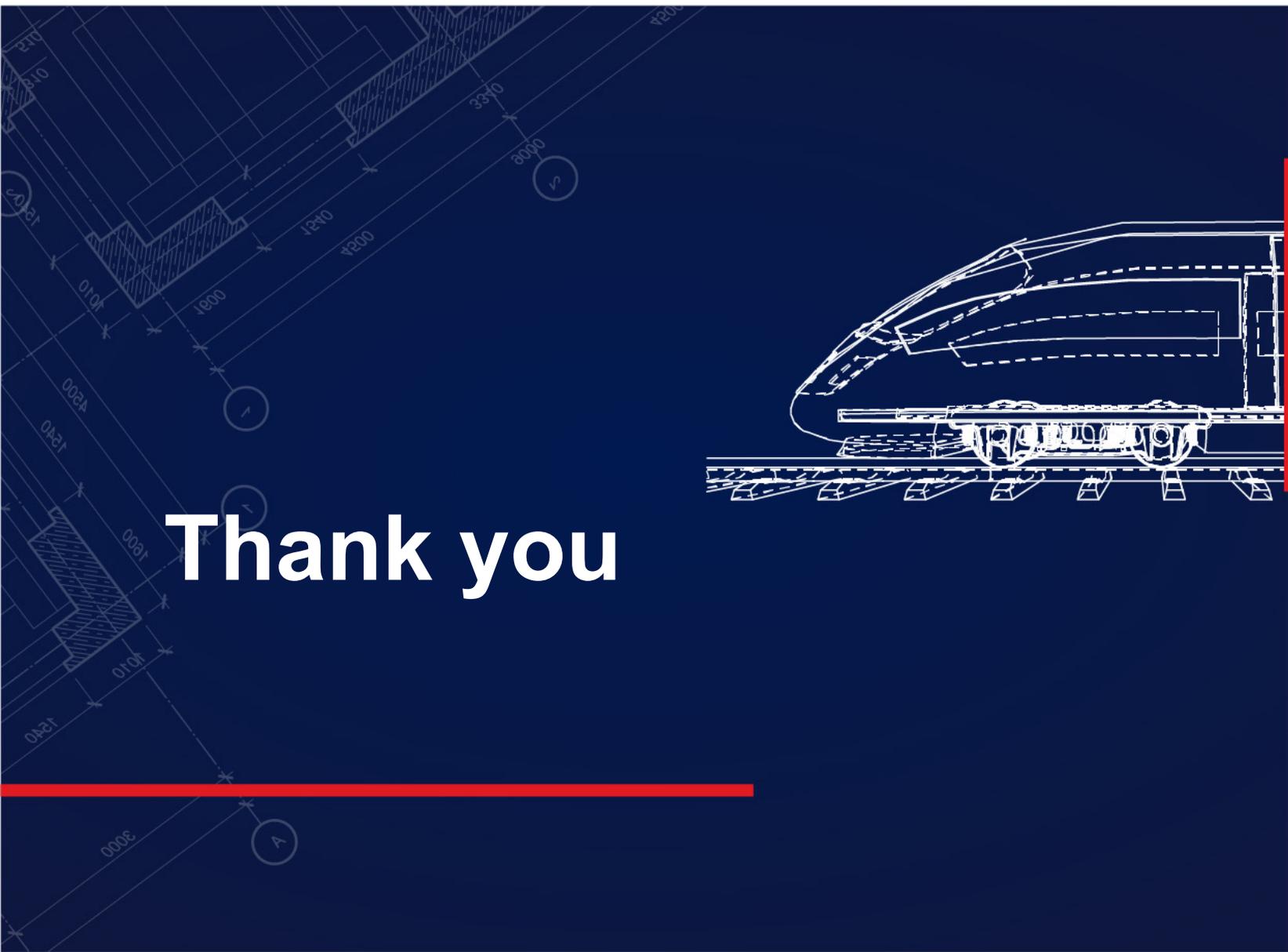
Any buybacks will be in addition to ordinary dividends rather than in lieu of ordinary dividends

Have adopted a more dynamic hurdle rate framework for capital allocation decisions

Have developed an internal framework for decision-making criteria between repurchases and special dividends

Have started to work on possible use of Iterative Risk Margin

HOW DO WE MANAGE OUR CAPITAL?



Thank you

