momentum group

Operating Update

For the year ended 30 June 2024

momentum METROPOLITAN GUARDRISK

MOMENTUM GROUP LIMITED
(previously 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 Group" or "the Group")

MOMENTUM METROPOLITAN LIFE LIMITED
Incorporated in the Republic of South Africa
Registration number: 1904/002186/06
LEI: 378900E0A78B7549C212
Company code: MMIG
("Momentum Metropolitan Life")

OPERATING UPDATE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

Summary of key metrics

As a result of the introduction of IFRS 17, the new accounting standard for insurance contracts, certain prior comparative results have been restated.

Key metrics	F2024	Restated F2023[1]	Δ%
Earnings per share (cents)	**282.9**	220.0	29%
Headline earnings per share (cents)	**298.6**	215.5	39%
Normalised headline earnings per share (cents)[2]	**309.7**	235.2	32%
Normalised headline earnings (NHE, R million)[2]	**4 438**	3 491	27%
Operating profit (R million)[3]	**3 608**	2 755	31%
Investment return (R million)	**830**	736	13%
Closing contractual service margin (CSM, R million)	**19 398**	17 644	10%
New business CSM (R million)	**1 606**	1 209	33%
New business volumes (PVNBP, R million)[4]	**82 141**	68 873	19%
Value of new business (VNB, R million)[4]	**589**	600	(2)%
New business margin[4]	**0.7%**	0.9%	
Diluted embedded value per share (Rand)[4]	**36.94**	33.75	10%
Return on embedded value per share[4]	**13.3%**	17.0%	
Return on equity[5]	**15.5%**	12.7%	
Dividend per share (cents)	**125**	120	4%

1 The IFRS 17 – Insurance Contracts (IFRS 17) standard became effective for the Group from 1 July 2023. Accordingly, the prior year's accounting has been restated for the application of IFRS 17 as well as for other restatements. Prior year normalised headline earnings (NHE) was restated from R5 079 million to R3 491 million. Refer to the summarised audited annual financial statements for more information.
2 NHE adjusts the JSE definition of headline earnings for the impact of finance costs related to preference shares that can be converted into ordinary shares of the Group when it is anti-dilutive, the impact of treasury shares held by the iSabelo Trust, the amortisation of intangible assets arising from business combinations, broad-based black economic empowerment (B-BBEE) costs, and the impairment of loans to subsidiaries that were subsequently disinvested. Additionally, the iSabelo special purpose vehicle, which houses preference shares issued as part of the employee share ownership scheme's funding arrangement, is deemed to be external from the Group, and the discount at which the iSabelo Trust acquired the Momentum Group Limited's treasury shares is amortised over a period of 10 years and recognised as a reduction to NHE.
3 Operating profit represents the profit (net of tax) that is generated from Momentum Group's operational activities and reflects NHE excluding the investment return on shareholder funds.
4 Prior year embedded value (EV) reporting has not been restated for the changes introduced by IFRS 17.
5 Return on equity expresses NHE as a percentage of start-of-year net asset value (NAV). In this calculation, NAV is adjusted for the items outlined in footnote 2, consistent with NHE.

MOMENTUM GROUP DELIVERS STRONG RESULTS

Good operational performance sets the base for future growth

Introduction

We are pleased that, despite the adverse impact of the continued challenging economic backdrop, our businesses remained resilient and achieved robust operating results for the year ended 30 June 2024. There were positive contributions from most business units, including a recovery in Momentum Insure's earnings, solid life annuity profits from Momentum Investments, improved persistency experience (albeit not yet at targeted levels) in Metropolitan Life, and strong underwriting experience in Momentum Corporate and Guardrisk. Earnings were further supported by favourable mortality experience across the Group's operations and higher investment income from asset portfolios.

Key business highlights include:

- We continue to actively manage our well-diversified and balanced portfolio of businesses. We are deliberate about driving discipline and accountability and increasing collaboration between business units.
- We achieved pleasing sales volumes through our continued focus on enhancing the client and adviser experience and enabling product enhancements that differentiate us in the market.
- We have firmly positioned and retained our leadership position in independent financial adviser (IFA) distribution.
- Notable progress with Metropolitan Life's five-point turnaround plan led to enhanced product commerciality and an improvement in the quality of new business written.
- Despite adverse weather-related events over the year, the claims ratio in Momentum Insure improved to 67% from 77% in the prior year, reflecting the positive impact of underwriting measures implemented.
- The corporate and retail savings businesses were both well prepared for the implementation of the two-pot retirement system. By 25 September, the Momentum Group had received about 150 000 withdrawal applications worth R2.5 billion. Our investment in digital solutions helped our teams manage the significant volume of client interactions.

While the improvement in earnings is encouraging, management is giving significant attention to new business profitability. Although negatively impacted by the strengthening of actuarial assumptions on 30 June 2023, our current new business margins are not at desired levels. We have solid plans in place for each business to address the value of new business (VNB), including a Group-wide performance optimisation project aimed at reducing our cost base.

Overview of financial results

Momentum Group delivered normalised headline earnings (NHE) of R4 438 million for the year ended 30 June 2024, up 27% on the prior year. NHE per share increased by 32% from 235.2 cents to 309.7 cents, reflecting the positive impact of the share buyback programme over the year. Headline earnings per share increased by 39% from 215.5 cents to 298.6 cents and earnings per share improved by 29% from 220.0 cents to 282.9 cents.

Operating profit increased by 31% from R2 755 million to R3 608 million, as many of the business units benefited from higher investment income from the assets in the portfolios backing policyholder liabilities and the elevated interest rate environment. Momentum Retail's operating profit declined, mainly due to lower market variances than experienced in the prior year and increased expenses. These included costs incurred to exit the franchise model in Momentum Financial Planning (MFP), creating a more sustainable tied agency model. In Momentum Investments, the operating profit increase was due to higher mortality profits from the annuities business and continued solid growth in life annuity products. Metropolitan Life's operating profit was supported by improved persistency experience on the protection business. In Momentum Corporate, operating profit decreased following lower market variances compared to the prior period. The Health business' operating profit improvement was largely due to increased fee income following growth in Health4Me and public sector membership. Strong fee income and underwriting profit growth boosted operating profit in Guardrisk. The turnaround in Momentum Insure's operating profit was due to an improved claims ratio, increased investment income, and the recognition of a deferred tax asset. Africa's operating loss narrowed, primarily due to improved profitability in health insurance operations across the portfolio. The operating loss in India widened, largely because our response to increased claims and expenses was restricted by current regulations limiting pricing adjustments to the next contract renewal date.

Investment return from the Group's shareholder assets improved by 13% to R830 million, largely supported by increased returns on shareholder portfolios achieved on the back of a favourable interest rate environment. This was partially offset by fair value losses on venture capital (VC) funds and the non-repeat of a significant increase in the valuation of an option to purchase a share of a UK technology business in the prior year.

The Group's sales as measured by the present value of new business premiums (PVNBP) increased by 19% to R82.1 billion. This growth was enhanced by a reduction in the discount rate used to calculate the present value of premiums to align with the market consistent valuation methodology used for IFRS 17. Momentum Retail's long-term savings and protection new business volumes improved. Momentum Investments continued to deliver solid growth in new business volumes on life annuities and on Momentum Wealth's investment platform. Metropolitan Life saw a decline in protection and long-term savings new business volumes, partially offset by good growth in life annuities. Momentum Corporate saw solid growth in structured investment flows (albeit at low margins), partially offset by a decline in recurring premiums from protection new business. Africa's PVNBP declined marginally following lower corporate protection new business volumes in Botswana and Lesotho, partly offset by higher retail new business volumes in Namibia.

The Group's VNB declined by 2% from the prior year to R589 million, largely impacted by the strengthening of persistency and expense basis implemented on 30 June 2023, which resulted in VNB being calculated on a more conservative basis than in the prior year, most notably for Metropolitan Life. The overall Group new business margin declined to 0.7%.

Under IFRS 17, the contractual service margin (CSM) is a component of the insurance liability that represents the present value of future earnings. This becomes an important metric for assessing the earnings prospects of an insurance entity. The CSM increased from R17.6 billion to R19.4 billion, with new business contributing R1.6 billion, expected growth adding R1.8 billion, and changes in estimates adding R1.0 billion to the opening balance. This was offset by R2.6 billion released from the CSM into earnings.

The regulatory solvency positions of most of the Group's regulated entities remain strong, near or above the upper end of their specified target solvency ranges. For Momentum Metropolitan Life (MML), the Group's main life insurance entity, the solvency cover strengthened from 2.07 times the solvency capital requirement (SCR) at 30 June 2023 to 2.10 times SCR at 30 June 2024 (pre foreseeable dividend). This is above the upper end of MML's target range of 1.6 to 2.0 times SCR. Momentum Group Limited's solvency cover improved slightly from 1.63 to 1.64 times SCR over the reporting period.

The Group is pleased to declare a final dividend of 65 cents per ordinary share, resulting in a full year dividend of 125 cents per share. This represents an increase of 4% on the prior year. The Board has approved an additional R1.0 billion for further share repurchases.

Return on equity (ROE) was 15.5% for the current year, an increase from 12.7% in the prior year. This follows the higher equity at the beginning of the year following the implementation of IFRS 17. Group embedded value per share was R36.94 as at 30 June 2024 and the return on embedded value per share was 13.3%.

CAPITAL MANAGEMENT ACTIVITIES

The Group remains focused on actively managing its required discretionary and surplus capital. In accordance with our Capital Management Framework, surplus capital will be distributed through ordinary dividends, special dividends, share buybacks, or reinvested in other strategic opportunities.

Share buyback programme

The R500 million share buyback programme communicated to investors at the F2024 interim results announcement was completed on 12 June 2024. The Group bought back 23.6 million shares at an average price of R21.11 per share. This represents a 43% discount to the embedded value of R36.94 per share on 30 June 2024.

In line with our Capital Management Framework and considering the strong capital and liquidity position, the Board has approved a further R1.0 billion for the buyback programme of the Group's ordinary shares.

Dividends

The Momentum Group has declared a final dividend of 65 cents per ordinary share, resulting in a total dividend of 125 cents per ordinary share for the full year. The F2024 total dividend represents a payout ratio of 40% of NHE, close to the mid-point of the Group's dividend payout range. The Group's policy of declaring dividends within a range of 33% to 50% of NHE remains unchanged.

Capital deployment

The following capital injections and strategic investments were made during the year:

Areas of capital deployment	R million
Momentum Metropolitan Africa	**321**
Momentum Investments	**309**
Shareholders	**308**
Guardrisk	**223**
India	**168**
Momentum Metropolitan Health	**112**
Momentum Retail	**2**
Total capital deployment	**1 443**

Capital of R321 million was deployed to our Africa business to meet the central costs of operating the business. In Momentum Investments, R309 million was deployed for the acquisition of the OUTsurance Group Limited's stake in RMI Investment Managers Group, the capitalisation and seeding of Curate Investments, and capital support to Momentum Money. During the financial year, the Group communicated its decision to discontinue the Momentum Money business. In the Shareholders segment, R192 million was invested in two offshore VC funds and R116 million was utilised for a solar installation project at our key business locations. R223 million was deployed to Guardrisk for the acquisition of former third-party cell captive client Zestlife, R168 million was deployed to India, and R112 million was deployed to Momentum Metropolitan Health for capital support to Momentum Multiply. In Momentum Retail, capital was deployed to acquire two small distribution businesses.

COMPLETION OF OUR REINVENT AND GROW STRATEGY

When the Group announced its Reinvent and Grow strategy in 2021, the focus was on enhancing digitalisation, creating alternative distribution opportunities, refreshing our existing distribution channels, achieving above average growth in our Non-life businesses, and ensuring that the strategic objectives delivered revenue and efficiency improvements to achieve NHE of R4.4 billion to R4.8 billion and ROE of 14% to 16% in F2024[6].

The Reinvent and Grow strategy concluded on 30 June 2024. Below is an outline of how the Group performed against its quantitative Grow objectives:

- **NHE of R4.4 to R4.8 billion:** The R4.4 billion NHE achieved is at the lower end of the IFRS 17 adjusted NHE target range of R4.4 billion to R4.8 billion. This is a credible achievement under testing economic conditions.
- **Cost efficiencies of more than R500 million:** We made encouraging progress with the various digitisation initiatives and improvements to client and adviser service. However, this resulted in direct expenses growth across the Group being slightly above inflation and the efficiency target not being met.
- **Non-life insurance to contribute 20% of NHE:** Momentum Insure delivered NHE of R192 million, while Guardrisk continued its growth trajectory, reporting earnings of R653 million in F2024. This resulted in an overall non-life insurance contribution to NHE growing from 15% in F2021 to 19% in F2024. Although this is marginally below the 20% target, it highlights the progress made in NHE diversification. Going forward, we are confident that these businesses will continue to provide significant growth opportunities and diversification benefits to the Group.
- **Market share increase of 1% to 6%:** Market shares continued to grow across the Group driven by efforts to improve our external focus and revitalise existing distribution channels. However, market share growth in Metropolitan Life was not at targeted levels as the business deliberately changed its focus to improving the quality of new business. Looking ahead, we intend to grow our own agency force in line with our main competitors.
- **ROE of 14% to 16%:** ROE of 15.5% is toward the upper end of the ROE target range.

The Reinvent and Grow strategy has enabled the Group to navigate evolving client behaviours and shifting market dynamics, leading to the establishment of new revenue streams while improving existing ones. At the same time, it has positioned us to enhance value propositions for advisers, enabling them to leverage digital innovations in client service. As we move into the next three-year strategic cycle, we do so from a strengthened position, supported by robust cash generation and a strong balance sheet.

[6] The NHE and ROE targets have been adjusted following the implementation of IFRS 17.

GROUP FINANCIAL PERFORMANCE

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

	F2024			Restated F2023[7]			Δ%		
R million	**Operating profit/(loss)**	**Investment return**	**Normalised headline earnings**	**Operating profit/(loss)**	**Investment return**	**Normalised headline earnings**	**Operating profit/(loss)**	**Investment return**	**Normalised headline earnings**
Momentum Retail	**907**	**202**	**1 109**	1 009	135	1 144	(10)%	50%	(3)%
Momentum Investments	**450**	**83**	**533**	344	125	469	31%	(34)%	14%
Metropolitan Life	**476**	**119**	**595**	236	77	313	>100%	55%	90%
Momentum Corporate	**996**	**186**	**1 182**	1 028	109	1 137	(3)%	71%	4%
Health	**255**	**-**	**255**	236	9	245	8%	(100)%	4%
Guardrisk	**668**	**(15)**	**653**	488	3	491	37%	<(100)%	33%
Momentum Insure	**59**	**133**	**192**	(345)	36	(309)	>100%	>100%	>100%
Africa	**(27)**	**403**	**376**	(150)	404	254	82%	(1)%	48%
India	**(275)**	**1**	**(274)**	(223)	1	(222)	(23)%	–	(23)%
Normalised headline earnings from operating business units	**3 509**	**1 112**	**4 621**	2 623	899	3 522	34%	24%	31%
Shareholders segment	**99**	**(282)**	**(183)**	132	(163)	(31)	(25)%	(73)%	<(100)%
Normalised headline earnings	**3 608**	**830**	**4 438**	2 755	736	3 491	31%	13%	27%

[7] The prior year numbers are restated to provide meaningful comparisons for the new reporting segments and for IFRS 17 and other restatements.

MARKET VARIANCE

The table below sets out the market variance by business unit and reflects the various offsetting impacts of investment variances and economic assumption changes experienced over the year, collectively referred to as market variances. These impacts are considered together, as the impact of the underlying hedging instruments are all captured as market variances. Market variances are included in operating profit and are shown below net of tax.

R million	F2024	F2023	Δ%
Momentum Retail	**75**	154	(51)%
Momentum Investments	**53**	100	(47)%
Metropolitan Life	**43**	(43)	>100%
Momentum Corporate	**42**	161	(74)%
Africa	**(3)**	–	<(100)%
Total market variance	**210**	**372**	**(44)%**

While the prior year liability exposures were restated for the adoption of IFRS 17, the asset liability matching strategies were still based on the insurance liabilities measured under IFRS 4. In the current year, the Group rebalanced its asset position to align with the change in the reporting standard. The impact of this change is evident, with lower reported market variances. As such, the movement in the nominal yield curve did not have a significant impact on market variances. Instead, the positive market variance arose mainly from positive credit spreads and the positive impact of a refinement implemented in the extrapolation of the yield curve, which is a one-off basis change rather than a mismatch profit or loss.

The life annuity business continued to yield strong returns from credit spreads, contributing to the positive market variance for the year. The protection business has long dated IFRS liabilities and as a result, the reduction in nominal yields resulted in increased insurance liabilities. However, the impact on protection business was offset by favourable investment returns on assets backing policyholder liabilities, resulting from pleasing market returns.

Bond returns outperformed relative to the prior year due to a reduction in the risk-free yield curve, particularly at the long end of the curve. Returns from equity markets were lower compared to F2023 but still contributed positively to market variances across all business units.

CONTRACTUAL SERVICE MARGIN (CSM)

The CSM (net of reinsurance) increased by 10% to R19.4 billion, aided by R1.6 billion contribution from new business. Expected growth added R1.8 billion and changes in estimates added R1.0 billion to the CSM. Growth was offset by the CSM release of R2.6 billion to earnings.

The following table outlines the movement of the CSM (net of reinsurance) per business unit:

R million	Opening CSM	New business	Expected growth	Change in estimates	CSM release	Closing CSM
Momentum Retail	**8 734**	243	855	598	(1 236)	**9 194**
Momentum Investments	**2 757**	945	291	162	(438)	**3 717**
Metropolitan Life	**3 782**	192	421	30	(582)	**3 843**
Momentum Corporate	**960**	3	83	134	(140)	**1 040**
Africa	**1 411**	223	140	31	(201)	**1 604**
Total	**17 644**	**1 606**	**1 790**	**955**	**(2 597)**	**19 398**

New business contribution to CSM

New business contributed R1 606 million to the CSM. This was boosted by a R945 million (34% of opening CSM) contribution from Momentum Investments, driven by the high volumes of profitable annuity business. Momentum Retail's protection business added R243 million in new business CSM (3% of opening CSM). Metropolitan Life's new business CSM of R192 million (5% of opening CSM) was largely attributable to annuity and protection business. Momentum Corporate added new business CSM of R3 million. A large proportion of Momentum Corporate's new business is from short-term business that does not require a CSM to be established at point of sale. The R223 million in new business CSM from Africa (17% of opening CSM) was mainly from Namibia and Lesotho. Overall, the new business contribution for the Group translates to 9% of the CSM opening balance.

It should be noted that the CSM contributed by the Guardrisk business is excluded from these quantities as the majority of Guardrisk's CSM relates to cell-captive business where in-substance reinsurance applies, meaning no direct Momentum Group financial benefit.

Expected growth

Expected growth of R1 790 million includes interest accretion on general measurement model (GMM) business of R1 525 million and the unwind of the discount rate on fulfilment cash flows written to the CSM for contracts measured under the variable fee approach (VFA) of R265 million.

Insurance contracts under the GMM accrete interest at the locked-in rate, which is the discount rate at initial recognition of an insurance contract. In the current year, interest accretion added R1 525 million to the CSM closing balance. The interest accretion is largely driven by annuities and protection business and translates to an accretion rate of 9% of opening CSM.

The expected growth in the VFA CSM is largely from long-term savings and traditional business. Momentum Retail contributed R15 million, Metropolitan Life added R186 million, Momentum Corporate added R27 million and Africa contributed R47 million. Momentum Investments had a contribution of negative R10 million. The total contribution for the Group of R265 million largely reflects the impact of the unwind of the discount rate at current rates.

Change in estimates

Change in estimates includes experience variances and actuarial assumption changes during the year.

This added R955 million to the CSM. This was largely from Momentum Retail, following positive alteration experience and basis changes on protection business and partially offset by negative assumption changes on expenses. Positive mortality experience from Momentum Investments and Momentum Corporate increased the CSM.

CSM release

R2 597 million of CSM was released into earnings, reflecting a CSM release rate of 12% for the Group. This is in line with the expected one-year release rate.

Onerous contracts

The table below reflects the losses recognised at acquisition as onerous contracts (where the insurance contract fulfilment cash flows exceed contractual inflows at initial recognition date) gross of reinsurance and tax per business unit:

R million	F2024	F2023	Δ%
Momentum Retail	**106**	195	(84)%
Momentum Investments	**187**	129	45%
Metropolitan Life	**278**	191	87%
Momentum Corporate	**79**	45	47%
Africa	**193**	168	15%
Total onerous contracts	**843**	**729**	**16%**

Onerous contracts on GMM and VFA business increased by 16% to R843 million. Momentum Retail's onerous contracts reduced by R89 million, mainly supported by repricing actions and the LifeReturns offering. The increase in onerous contracts for Momentum Investments follows the higher new business volumes in back-to-back whole life policies. Metropolitan Life's onerous contracts increased to R278 million, primarily because of the strengthening of the persistency basis at the end of F2023. Momentum Corporate's onerous contracts increased largely due to increased take-up of the Myriad continuation assurance option, which allows exiting fund members to extend their existing insurance coverage on similar terms. In Momentum Metropolitan Africa, the increase is attributable to increased expenses and commission in Namibia, Botswana and Lesotho.

It should be noted that onerous contracts for Guardrisk are excluded from these quantities as the majority of those relate to cell-captive business where in-substance reinsurance applies.

GROUP NEW BUSINESS PERFORMANCE

Prior year EV reporting has not been recalculated for the methodology and assumption changes that resulted from the introduction of IFRS 17. Therefore, the prior year metrics in the tables below have not been restated.

Key metrics	F2024	F2023	Δ%
Recurring premiums (R million)	**4 150**	4 524	(8)%
Single premiums (R million)	**62 865**	49 617	27%
PVNBP[8] (R million)	**82 141**	68 873	19%
VNB (R million)	**589**	600	(2)%
New business margin	**0.7%**	0.9%	

[8] To align with the “market consistent methodology” used for IFRS 17, and following a revision in the embedded value, PVNBP is calculated on a risk-free discount rate. It was previously calculated at a risk discount rate.

The table below shows the PVNBP8 by business unit:

R million	F2024	F2023	Δ%
Momentum Retail	**8 461**	7 601	11%
Momentum Investments	**48 546**	40 656	19%
Metropolitan Life	**6 901**	7 201	(4)%
Momentum Corporate	**15 393**	10 485	47%
Africa	**2 840**	2 930	(3)%
Total PVNBP	**82 141**	**68 873**	**19%**

The table below shows the VNB by business unit:

R million	F2024	F2023	Δ%
Momentum Retail	**(86)**	(69)	(25)%
Momentum Investments	**744**	466	60%
Metropolitan Life	**(41)**	154	<(100)%
Momentum Corporate	**22**	67	(67)%
Africa	**(50)**	(18)	<(100)%
Total VNB	**589**	**600**	**(2)%**

The Group’s VNB declined marginally to R589 million, predominantly as a result of the strengthening of persistency and expense basis at the end of June 2023, which mostly affected Metropolitan Life. An overall change in new business sales mix toward lower-margin products for the majority of the business units further contributed to the reduced VNB. This was partially offset by the robust improvement in Momentum Investments’ VNB.

Despite the marginal decline year-on-year, there was a solid improvement in VNB in the second half of the financial year.

Momentum Investments’ VNB was significantly higher, boosted by the increase in more profitable annuity new business volumes written during the year. Momentum Retail’s VNB of negative R86 million was largely due to an increase in required capital. Metropolitan Life’s VNB deteriorated to a loss of R41 million, mainly because of the strengthening of persistency and expense assumptions at the end of June 2023 and lower new business volumes. Momentum Corporate’s VNB reduced to R22 million from R67 million in the prior year, mainly due to the business mix being weighted towards lower-margin investment business. In our Africa business, VNB deteriorated to a loss of R50 million, largely driven by a decline in profitable corporate business volumes secured in Botswana and Lesotho and an increase in expenses in Lesotho. Overall, the Group’s new business margin declined to 0.7%.

It should be noted that the embedded value (EV) methodology adopted following the implementation of IFRS 17 had an adverse impact on the Group’s VNB in aggregate. Although the impact is muted across the Group, it is differentiated by product type. This means that a per segment comparison to the prior year should be interpreted with caution.

EMBEDDED VALUE

Following the transition to IFRS 17, the Group revised its EV valuation methodology for covered business to incorporate some of the features in IFRS 17, thereby simplifying the translation from the IFRS balance sheet to what is reflected in EV reporting. However, prior year EV has not been restated for the changes introduced by IFRS 17 and the subsequent revision of the EV methodology. The changes to EV are reported as an opening methodology change and are shown under "exceptional items" in the analysis of changes in the Group's embedded value.

Embedded value earnings (R million)	F2024	F2023	Δ%
Embedded value at the start of the period (as at 1 July)	**49 035**	45 428	
Change in embedded value before capital flows	**5 633**	6 425	(12.3)%
Embedded value earnings from operations (covered)	**3 825**	3 994	(4.2)%
Embedded value earnings attributable to investment markets	**1 390**	2 772	(49.9)%
Embedded value earnings from exceptional items	**(735)**	-	<(100)%
Embedded value earnings from non-covered businesses	**1 153**	(341)	>100%
Capital flows	**(2 763)**	(2 818)	2.0%
Embedded value at the end of the period (as at 30 June)	**51 905**	**49 035**	**5.9%**
Embedded value per share	**36.94**	33.75	9.6%
Return on embedded value (ROEV)	**11.5%**	14.1%	
ROEV on covered business	**12.5%**	20.4%	
ROEV on non-covered business	**8.6%**	(2.8)%	
ROEV per share	**13.3%**	**17.0%**	

The transition to IFRS 17 and subsequent revision of the EV methodology for covered business reduced the embedded value by R735 million (shown under "exceptional items" in the analysis above). The reduction is mainly due to the adoption of a market risk neutral approach for the EV, which in aggregate reduces the value placed on future earnings.

Covered business returns from operations were positive for the year, with operating experience variances and market impacts contributing positively to EV earnings. Earnings from operations were R3 825 million, a 7.8% contribution to ROEV, marginally lower than the prior year.

New business earnings contributed R589 million to EV, slightly lower than the prior year's R600 million but an improvement on the R200 million reported at half-year. In Metropolitan Life, the decline is predominantly because of the first-time inclusion of the underwriting basis changes made in June 2023. The reduction in new business for Momentum Corporate was primarily due to lower margin investment business. Momentum Investments new business showed continued strong growth in life annuity sales.

Mortality and morbidity claims experience was positive R976 million for the year (2.0% contribution to ROEV). However, this is 9% lower than the prior year's contribution of R1 072 million. Negative persistency and expense variances continued from the mid-year result, reducing earnings by R717 million (1.5% reduction in ROEV).

Methodology and operating assumption changes reduced earnings by R374 million (0.8% reduction in ROEV), in line with the prior year reduction in earnings of R372 million. The result was driven by the strengthening of the expense basis in all segments except for Metropolitan Life, but the impact was partially offset by positive earnings flowing from mortality basis changes in Momentum Corporate.

EV earnings attributable to investment markets contributed R1 390 million to embedded value earnings (2.8% contribution to ROEV), a 49.9% decrease, largely due to the lower returns from equity markets, prior year positive economic basis changes in Namibia that were not repeated in the reporting period, and the reduced market variance for Myriad. The transition to IFRS 17 enables more effective asset liability matching of interest rate risk in the Group, which is expected to result in lower market variances going forward. Earnings from investment markets were driven by the investment return earned on shareholder net worth, which grew from favourable bond returns and an increase in shareholder net worth following the transition to IFRS 17.

Non-covered businesses contributed R1 153 million to earnings (2.4% contribution to ROEV), a positive turnaround from the prior year loss of R341 million. The result was driven by a pleasing performance from Guardrisk, partially offset by negative market performance and net fund outflow in Momentum Global Investment Managers.

Capital flows represent the Group's capital deployment, dividend and share buyback.

Group embedded value per share was R36.94 as at 30 June 2024. The return on embedded value (ROEV) was 11.5% for the year ended 30 June 2024. The ROEV per share was enhanced by our share buyback programme, ultimately reflecting a 13.3% return.

SEGMENTAL PERFORMANCE

Momentum Retail

R million	F2024	Restated F2023	Δ%
Operating profit	**907**	1 009	(10)%
Investment return	**202**	135	50%
Normalised headline earnings	**1 109**	**1 144**	**(3)%**
Closing CSM (as at 30 June)	**9 194**	8 734	5%
Recurring premium new business	**1 080**	1 094	(1)%
Single premium new business	**2 525**	2 531	(1)%
PVNBP	**8 461**	7 601	11%
VNB	**(86)**	(69)	(25)%
New business margin (%)	**(1.0)%**	(0.9)%	

Normalised headline earnings

Momentum Retail's NHE declined marginally from R1 144 million to R1 109 million in the current year. Earnings benefited from higher alterations experience profits on protection business and the increase in investment return on shareholder portfolio assets. This was offset by reduced profits from yield curve and market movements, an increase in development expenses relating to an operating model change in our tied agency channel (MFP), higher mortality claims on traditional business (although aggregate mortality and morbidity experience was positive), and slightly weaker lapse experience on protection business.

Contractual service margin

The CSM for Momentum Retail increased by 5% to R9 194 million over the 12 months ended 30 June 2024. New business added R243 million to the opening CSM primarily from protection business, while changes in estimates contributed R598 million, largely driven by positive alterations assumption changes and positive mortality and morbidity experience, partially offset by a negative expense basis change. CSM expected growth added R855 million, which includes R840 million related to interest accretion, and R15 million of expected growth in the VFA CSM from the traditional business. This was offset by R1 236 million released from the CSM into earnings. The release for the period was 12% of CSM, slightly below the level expected to be recognised into earnings annually.

New business

Momentum Retail's PVNBP improved by 11% to R8.5 billion, aided by a 26% improvement in protection new business and a 3% increase in long-term savings business. On an annual premium equivalent (APE) basis, protection and long-term savings new business volumes declined by 1%.

VNB deteriorated to a loss of R86 million, largely driven by an increase in expenses and cost of capital following an increase in required capital. This translated to a new business margin of -1.0%.

Momentum Investments

R million	F2024	Restated F2023	Δ%
Momentum Investments	**602**	566	6%
Momentum Money	**(69)**	(97)	29%
Normalised headline earnings	**533**	**469**	**14%**
Operating profit	**450**	344	31%
Investment return	**83**	125	(34)%
Closing CSM (as at 30 June)	**3 717**	2 757	35%
Recurring premium new business	**258**	205	26%
Single premium new business	**47 396**	39 822	19%
PVNBP	**48 546**	40 656	19%
VNB	**744**	466	60%
New business margin (%)	**1.5%**	1.1%	

Normalised headline earnings

NHE from Momentum Investments increased by 13% to R533 million, largely aided by the higher CSM release from annuities, higher mortality profits from the life annuities business, and higher asset returns on assets backing annuity portfolios. This improvement was partially dampened by reduced asset-based fee income for the global asset management business as advisers shifted away from balanced fund mandates. An increase in expenses, and lower investment return on shareholder assets following a reduction in required capital in the current year, further restrained earnings growth.

Included in the Momentum Investments NHE is Momentum Money, a bundled transactional banking and savings solution. The loss of R69 million reported by Momentum Money reflects an improvement from a loss of R97 million in the prior year. After careful consideration, a decision was taken to discontinue the Momentum Money product effective 31 October 2024.

Contractual service margin

The CSM for Momentum Investments is on the annuity business. The CSM increased by 35% to R3 717 million. New business contributed R945 million, reflecting the strong volumes and profitability of the annuity book. Expected growth contributed R291 million to CSM while changes in estimates added R162 million, predominantly related to positive mortality experience. This was partially offset by R438 million of CSM released into earnings for the year. The release for the period was 11% of closing CSM, slightly below our expected one year release rate.

New business

Momentum Investments' PVNBP improved by 19% to R48.5 billion, largely aided by solid new business volumes on annuities and higher new business volumes on the Momentum Wealth investment platform business.

VNB improved significantly from R466 million to R744 million, bolstered by solid new business volumes growth and a change in new business mix towards higher-margin annuities. This resulted in an improved new business margin of 1.5%.

Assets under management and administration

R billion	F2024	F2023	Δ%
On-balance sheet Momentum Wealth	**174**	156	12%
Off-balance sheet Momentum Wealth	**87**	81	7%
Annuities	**41**	35	17%
Non-covered business (Investment Management)	**634**	621	2%
Assets under management and administration	**936**	893	5%

Assets under management and administration in the Momentum Wealth investment platform business increased by 10%, aided by increased net flows (R4.7 billion compared to R2.6 billion in the prior year) and positive market movements. Assets under management and administration in the non-covered asset management businesses improved marginally, supported by good growth on the local institutional platform, partially offset by the exit of relatively low-margin institutional assets in Crown Agents Investment Management (CAIM). Included in these numbers is the acquisition of CAIM, which contributed R43 billion to institutional assets under management in F2024 (F2023: R55 billion).

Metropolitan Life

R million	F2024	Restated F2023	Δ%
Operating profit	**476**	236	>100%
Investment return	**119**	77	55%
Normalised headline earnings	**595**	**313**	**90%**
Closing CSM (as at 30 June)	**3 844**	3 782	2%
Recurring premium new business	**1 659**	1 681	(1)%
Single premium new business	**2 218**	1 992	11%
PVNBP	**6 901**	7 201	(4)%
VNB	**(41)**	154	<(100)%
New business margin (%)	**(0.6)**	2.1	

Normalised headline earnings

NHE in Metropolitan Life improved by 90% to R595 million. This was largely supported by an improvement in the persistency experience on the protection business (although this remained negative) following the strengthening of the lapse assumptions at 30 June 2023. Persistency experience variance on savings products deteriorated year-on-year and is indicative of consumer pressure. NHE was further aided by improved investment income from assets in the portfolios backing policyholder liabilities and improved market impacts on most of the product portfolios. NHE was impacted by lower mortality experience variance resulting from the weakening of the mortality basis at the end of F2023. The increase in one-off expenses, mainly related to system migration and setting up a new product administration system, further impacted earnings.

Contractual service margin

The CSM for Metropolitan Life increased slightly to R3 843 million, attributable to a new business contribution of R192 million, largely from more profitable annuities and protection business. Expected growth in the CSM contributed R421 million (of which R235 million relates to interest accretion on protection and annuities), while experience variances and assumption changes contributed R30 million. The release of CSM into profit was R582 million (13% release rate), in line with the expected one-year release rate.

New business

Metropolitan Life's PVNBP of R6.9 billion declined 4% compared to the prior year, largely driven by a decline in new business volumes in the protection and long-term savings business. This was offset by good growth in the life annuities business following the decision to limit the number of tied agents to drive higher quality of business. Despite the smaller agency force, the number of advisers with a tenure of more than 12 months remained stable. As a result, the quality of business written improved, evidenced by the decline in early duration lapses, with efforts to improve agent productivity in future.

VNB declined to a loss of R41 million, mainly due to a decrease in new business volumes, an increase in initial expenses, the adoption of IFRS 17 and impact of the strengthening of assumption changes, particularly on protection business, at the end of F2023. This was partially offset by an improvement in the quality of new business and a change in mix toward more profitable business in the second half of F2024, reflecting the impact of management actions.

Metropolitan Life has made good progress and will maintain focus on the delivery of its five-point plan over the next 12 months:

- Enhancing product commerciality by optimising commission, discontinuing certain loss-making solutions, and launching solutions on new administration systems with lower ongoing administration costs compared to legacy systems.
- Efficiently managing the channel workforce with a focus on vesting of new-to-industry advisers, productivity, access to sufficient worksites, and the retention of experienced advisers and branch managers.
- Improving the quality of new business by optimising the premium collections through DebiCheck, changing commission payment to receipt of first premium for high-risk cases, and fraud prevention initiatives undertaken.
- Aligning the cost base to revenue by targeting loss-making channels and initiatives and extracting savings from our migration and automation efforts over the years.
- Completing the system migration project, ongoing renewal of policy administration systems, and various automation initiatives aimed at improving back-office efficiency.

Momentum Corporate

R million	F2024	Restated F2023	Δ%
Operating profit	**996**	1 028	(3)%
Investment return	**186**	109	71%
Normalised headline earnings	**1 182**	**1 137**	**4%**
Closing CSM (as at 30 June)	**1 040**	960	8%
Recurring premium new business	**726**	1 093	(34)%
Single premium new business	**9 703**	4 299	>100%
PVNBP	**15 393**	10 485	47%
VNB	**22**	67	(67)%
New business margin (%)	**0.1%**	0.6%	

Normalised headline earnings

Momentum Corporate's NHE improved by 4% to R1 182 million. This was largely supported by continued positive underwriting income from group protection business, active management of our reinsurance strategy, higher investment income benefiting from the elevated interest rate environment, and positive impacts from yield curve changes. The improvement was partially offset by lower credit, illiquidity and mismatch profits earned on the investment book. Expenses increased marginally but remain well controlled.

Contractual service margin

The CSM increased by 8% to R1 040 million, driven by a R3 million contribution from new business (following low group annuity sales), expected CSM growth of R83 million, and changes in estimates of R134 million. CSM of R140 million was released into earnings (11% release rate), below the 12% expected one-year release rate.

A large component of Momentum Corporate's business is accounted for either under the premium allocation approach (PAA) within IFRS 17 or as IFRS 9 business (investment contracts). The absolute size of the CSM in Momentum Corporate is therefore small relative to the operating profits generated by the business unit. The CSM is mainly driven by CPI and with-profit annuities business.

New business

Momentum Corporate's PVNBP increased by 47% to R15.4 billion, largely supported by solid inflows from single premium structured investment business. New business from recurring premiums declined by 34%, largely attributable to the non-repeat of a large recurring premium annuity deal included in the prior year. The group risk environment remains under pressure, with intense competition and aggressive pricing strategies resulting in clients being price- and product-sensitive.

VNB declined to R22 million from R67 million in the prior year, primarily due to a change in business mix towards lower-margin investment business. This translates to a new business margin of 0.1%.

Health

R million	F2024	Restated F2023	Δ%
Operating profit	**255**	236	8%
Investment return	**–**	9	<(100)%
Normalised headline earnings	**255**	**245**	**4%**
Non-controlling interest (NCI)	**68**	101	(33)%
Normalised headline earnings gross of NCI	**323**	346	(7)%

Normalised headline earnings

Our Health business' NHE of R255 million improved by 4% compared to the prior year. NHE, before the deduction of the health business share of non-controlling interest, declined by 7%. This was largely driven by the change in business mix, with significant growth being experienced in lower-margin products. The higher-margin traditional scheme experienced lower volumes, which resulted in lower fee income. The business has been slow in reducing the expense base to adjust to the change in business mix. Going forward, a key focus will be to achieve cost efficiencies while investing in strategic growth and transformation initiatives.

Multiply was successful in transitioning just under 25 000 contracts from Multiply Premier to the new incentivised wellness solution. This solution aims to deliver an integrated health and wellness value proposition for all Health clients.

Membership

Despite an otherwise flat market, overall membership growth of 2% was achieved. This was largely aided by continued membership growth in the public sector (5%) and Health4Me (14%). Membership in the Momentum Medical Scheme (-2%) declined marginally. The decline in open scheme membership is indicative of economic pressures on retail clients. In the corporate market, membership declined by 34% following the exit of a large corporate client and declining employment numbers within the corporate client base.

Guardrisk

R million	F2024	Restated F2023	Δ%
Operating profit	**668**	488	37%
Investment return	**(15)**	3	<(100)%
Normalised headline earnings	**653**	**491**	**33%**
Guardrisk General Insurance (GGI) gross written premium	**4 946**	4 188	18%
GGI underwriting result	**556**	403	38%

Guardrisk's NHE improved by 33% to R653 million. This was largely supported by solid underwriting profit growth in GGI, which benefited from an improved claims ratio, and solid growth in management fee income across the volume and underwriting agency, mining rehab and Guardrisk Life businesses. The improvement was partially offset by an above-inflation increase in expenses, largely driven by increased personnel costs incurred to develop capacity for reporting requirements and future growth.

Operating profit was further boosted by increased investment income on policyholder funds following a refinement of the investment strategy coupled with a higher interest rate environment.

With Guardrisk's acquisition of its former third-party cell captive client, Zestlife Investments, concluded on 30 April 2024, the R15 million decline in investment return includes the fair value adjustment on the contingent consideration for this bolt-on transaction to 30 June 2024.

This acquisition opens the door to notable opportunities and strengthens its position in Life and Non-life health insurance. Zestlife contributed R13 million to earnings for the last two months of the F2024 financial year.

Momentum Insure

R million	F2024	Restated F2023	Δ%
Operating profit/(loss)	**59**	(345)	>100%
Investment return	**133**	36	>100%
Normalised headline earnings	**192**	**(309)**	**>100%**
Gross written premium	**3 270**	3 108	5%
Insurance service result	**249**	(70)	>100%
Claim ratio (%)	**67.1%**	76.7%	

Normalised headline earnings

Momentum Insure's NHE improved significantly from a loss of R309 million to a profit of R192 million. This earnings turnaround was largely supported by a 5.2% increase in gross written premiums following higher renewal increases during the year, a 9.6% improvement in the claims ratio, higher investment income, and the recognition of a deferred tax asset that was derecognised in the prior year.

The claims ratio improved from 76.7% in the prior year to 67.1%, reflecting satisfactory progress from corrective actions taken to improve underwriting performance. This result was achieved despite the impact of more severe weather-related events, exacerbated by a material increase in catastrophe reinsurance retention levels during F2024. Corrective actions taken include ongoing new business price optimisation, implementing a new renewal methodology to reflect the underlying risk cost more accurately on the existing book, together with focused underwriting action to correct underperforming portfolios.

Operating conditions during the period remained challenging. New business growth prospects were dampened by muted economic growth and the impact of recent pricing actions. Persistency experience deteriorated marginally following the corrective action taken but remained within appetite and industry norm. Management expenses remain well controlled, with the overall expense ratio improving from the prior period.

Investment income increased significantly on the back of a higher asset base following capital injections made in the prior year and higher interest rates. The business required no capital injections during the year and remained well capitalised.

Africa

R million	F2024	Restated F2023	Δ%
Namibia	**324**	343	(6)%
Botswana	**77**	17	>100%
Lesotho	**129**	116	11%
Ghana	**33**	(56)	>100%
Mozambique	**1**	(31)	>100%
Centre costs	**(188)**	(135)	39%
Normalised headline earnings	**376**	**254**	**48%**
Operating loss	**(27)**	(150)	82%
Investment return	**403**	404	(1)%
Closing CSM (as at 30 June)	**1 604**	1 411	14%
Recurring premium new business	**427**	451	(5)%
Single premium new business	**1 023**	973	5%
PVNBP	**2 840**	2 930	(3)%
VNB	**(50)**	(18)	<(100)%
New business margin (%)	**(1.8)%**	(0.6)%	

Normalised headline earnings

NHE improved to R376 million compared to R254 million in the prior year. This was largely aided by investment income, which benefited from an increase in shareholders' equity due to the IFRS 17 transition, an elevated asset base, and favourable bond returns. NHE was further boosted by the non-repeat of prior year fair value losses incurred on the Ghanaian Debt Exchange Programme. This was partially offset by higher new business strain and negative expense assumption changes in Namibia and Lesotho, coupled with unfavourable persistency experience variances. Mortality and morbidity experience remain in line with expectations for most countries, except Botswana, where mortality claims remain slightly elevated.

The decline in NHE in Namibia, from R343 million in the prior year to R324 million, was due to lower investment income following lower bond returns as well as the strengthening of the expense basis. This was largely offset by improved mortality experience and higher profits from the corporate business.

Botswana's NHE improved strongly from R17 million to R77 million, mainly supported by higher investment income and favourable expense basis changes in the life business. An improved claims ratio in the health business further enhanced earnings.

In Lesotho, the 11% increase in NHE to R129 million was primarily due to increased investment income attributable to a favourable interest rate environment and an increase in earnings from the health business.

Ghana experienced a turnaround from a loss of R56 million to a profit of R33 million, largely supported by improved investment income due to the higher interest rate environment, the non-repeat of prior year capital losses on government bonds, and reduced cost allocations from the Group.

In Mozambique, NHE improved to R1 million from a loss of R31 million in the prior year. The turnaround was largely due to a much-improved claims experience following management interventions to improve business performance and solvency.

Central cost on-charges are restricted in some jurisdictions due to in-country tax codes and legislation along with the head office nature of some of the expenses. As a result, the Group reduced its central cost allocations to certain countries in the Africa portfolio. This change contributed to the 39% increase in centre costs. The increase in centre costs was also impacted by fixed-term contract roles required to execute system migration projects.

Contractual service margin

The CSM increased by 14% to R1 604 million compared to the prior year. New business written during the year contributed R223 million to the CSM, largely from the profitable corporate business in Botswana and Lesotho. CSM growth of R140 million and change in estimates of R31 million contributed further to the CSM. This was offset by R201 million expected profit released into earnings. The release of 11% of closing CSM was slightly below the expected one-year release profile of 12%.

New business

Africa's PVNBP declined by 3% to R2.8 billion compared to the prior year. This was largely due to lower corporate protection new business volumes in Botswana and Lesotho, partly offset by improved retail new business volumes in Namibia.

The VNB worsened to a R50 million loss, mainly attributable to a decline in new business volumes in Botswana and Lesotho, notably on the more profitable corporate business, coupled with an increase in expenses resulting from the delay in the implementation of policy administration systems. This was partially offset by the improvement in Namibia's VNB, aided by improved protection volumes and the change to a risk-neutral discount rate. The new business margin was -1.8% for the year.

India

R million	F2024	Restated F2023	Δ%
Operating loss	**(275)**	(223)	(23)%
Investment return	**1**	1	–
Normalised headline earnings[9]	**(274)**	**(222)**	**(23)%**
Gross written premium	**8 316**	5 941	40%
Combined ratio (%)	**110%**	110%	
Claim ratio (%)	**68%**	64%	

[9] Results for the India investment are reported with a three-month lag. The dilution of the 49.0% stake in ABHI to 44.08% was concluded during October 2022. The results include support costs incurred by Momentum Group outside of the associate and are reported on an IFRS 17 basis. As such, the results may differ from those published by Aditya Birla Health Insurance.

Normalised headline earnings

On an IFRS 17 basis, India's normalised headline loss increased from R222 million in the prior year to R274 million. This is largely due to delayed pricing adjustments in response to increased benefit utilisation from a growing and maturing in-force book as well as the high cost of healthcare in India. Regulation has historically required that retail premiums be locked in until the next renewal cycle. However, new regulations that relax the restrictions on the timing of repricing will alleviate this in future. The new regulations will take effect from 1 April 2024 for new products and 1 October 2024 for existing products.

GWP improved strongly to R8.3 billion, with robust growth in both retail and group businesses. The expense ratio improved to 42% from 46% in the prior year.

The claims ratio improved slightly in the last quarter of F2024, supported by product repricing and enhanced claims management initiatives. However, the claims ratio remained elevated at 68%, predominantly impacted by a recent change in business mix toward group business. This change followed new guidelines by the Indian insurance regulator to limit the total expense ratio (administrative and commission) for standalone health insurers to a maximum of 35%. In response, ABHI has focused on balancing its business mix away from the more expensive retail distribution channel.

We maintain an optimistic outlook on the growth potential of the health insurance industry in India, given the compelling opportunity and differentiated business model.

SHAREHOLDERS SEGMENT

R million	F2024	Restated F2023	Δ%
Operating profit	**99**	132	(25)%
Investment return	**(282)**	(163)	(73)%
Investment income	**171**	133	29%
Fair value losses	**(453)**	(296)	53%
Normalised headline earnings	**(183)**	**(31)**	**<(100)%**

The Shareholders segment reported a loss of R183 million compared to the loss of R31 million in the prior year. This was largely attributable to fair value losses on both local and foreign venture capital (VC) funds of R298 million, the write-down on the sale of an international property held jointly with policyholders, foreign currency losses on a pound sterling denominated inter-Group loan receivable (where significant foreign currency gains were recognised in the prior year), and the non-repeat of a significant increase in the valuation of a call option held in a UK technology business following the close-out of a funding round in the prior year. The loss was partially offset by higher investment income on the shareholder investment portfolio, which was bolstered by excess assets in policyholder funds (which backed Momentum Metropolitan Life insurance liabilities under IFRS 4) being allocated to shareholders' funds.

SOLVENCY

Regulatory solo solvency position of the Group's insurance entities

The solo solvency positions of the Group's key regulated insurance entities are as follows:

Regulatory solvency position as at 30 June 2024

R million	Momentum Metropolitan Life	Guardrisk Insurance	Guardrisk Life	Momentum Insure
Eligible own funds (pre-dividend)	**33 893**	3 681	4 518	1 369
Solvency capital requirement (SCR)	**16 124**	3 070	3 930	808
SCR cover (times)	**2.10**	**1.20**	**1.15**	**1.69**

Regulatory solvency position as at 30 June 2023[10]

R million	Momentum Metropolitan Life	Guardrisk Insurance	Guardrisk Life	Momentum Insure
Eligible own funds (pre-dividend)	31 526	3 551	4 183	1 284
SCR	15 210	2 934	3 620	821
SCR cover (times)	**2.07**	**1.21**	**1.16**	**1.56**

[10] The 30 June 2023 results were restated to align with the final submission to the Prudential Authority following completion of the external audit.

Momentum Metropolitan Life has adopted a target range for regulatory solvency cover of 1.6 to 2.0 times the SCR before any declared dividend. The solvency cover ratio of Momentum Metropolitan Life increased from 2.07 times SCR at 30 June 2023 to 2.10 times SCR at 30 June 2024 (pre foreseeable dividend). The improvement was mainly due to good investment returns, positive mortality and morbidity experience, as well as a net positive impact from the reduction in the Prudential Authority nominal yield curve, which increased both own funds and the life underwriting risk SCR exposures.

The solvency cover for Guardrisk Insurance decreased slightly from 1.21 times SCR cover at 30 June 2023 to 1.20 times SCR at 30 June 2024. The cell SCR increased primarily due to increased reinsurance retention levels as well as policy renewals, while the promoter SCR increased due to increased risk-taking through growth of the Guardrisk General Insurance business combined with higher reinsurance retention. The solvency cover for Guardrisk Life decreased slightly from 1.16 times SCR to 1.15 times SCR year-on-year. Own funds grew due to profits from fees and increased risk participation by the promoter, as well as movements in the yield curve which, together with robust sales volumes, also caused an increase in the cell SCR. The solvency cover for Guardrisk Insurance lies within the target range, whereas the solvency cover for Guardrisk Life lies above the target range.

The solvency cover for Momentum Insure increased from 1.56 times SCR at 30 June 2023 to 1.69 times SCR at 30 June 2024. This was largely due to an increase in own funds due to realised profits and good investment returns which partly offset adverse claims experience from severe weather events. The solvency cover lies above the target range of 1.4 to 1.6 times SCR.

Regulatory group solvency position for Momentum Group Limited

The Prudential Authority has designated Momentum Group as an insurance group, with Momentum Group Limited as the controlling entity. The Accounting Consolidation method is used for certain Group entities (notably MML and Momentum Insure).

Momentum Group has adopted a target range for group regulatory solvency cover of 1.4 to 1.7 times the SCR. Momentum Group solvency cover was 1.64 times SCR at 30 June 2024, slightly higher than the 1.63 times SCR at 30 June 2023.

OUTLOOK

We are satisfied with the underlying operational performance the Momentum Group has achieved. Our business model of empowered, accountable business units has once again demonstrated its resilience and agility, enabling the Group to withstand the challenging operating environment and report steady financial performance over the year.

Looking ahead, we remain concerned about the pressure on our operating environment given the subdued economic growth. We are, however, beginning to see encouraging signs of improvement in the South African economy. With inflation expected to ease, the environment should be more conducive to interest rate cuts, which will bring financial relief to clients and the absence of loadshedding should all gradually improve confidence levels. As we navigate an increasingly competitive landscape, we remain dedicated to maintaining our competitive attractiveness to both existing and potential clients. We will continue to drive sales volumes and find innovative solutions to improve VNB outcomes. The Group is on a solid financial footing and is well positioned to adapt to the evolving needs of our clients.

The conclusion of our Reinvent and Grow strategy bolsters our confidence in the Group's ability to continue delivering significant value to clients and other stakeholders. We believe that achieving the strategic goals we had set for ourselves over the last three years has enabled the Group to continue to strengthen its competitive position within the South African and other markets.

Our new Impact strategy revolves around six strategic objectives aimed at driving meaningful outcomes. These are interlinked and work together to form a cohesive, integrated approach in which each strategic objective has a positive influence on the next. We will:

- Unlock the full potential of our businesses.
- Harness the synergies of collaboration in our federated model.
- Optimise our cost base to grow earnings.
- Invest aggressively in advice to drive growth.
- Selectively expand our addressable market share where we have a right to win.
- Design simplified and impactful client experiences as a foundation for growth.

Central to this strategy is setting the Momentum Group apart as a financial services company that excels at advice, cares for our clients through simple products and services, is enabled by technology, and has excellent vertically integrated product and asset management capabilities. Through executing this strategy, we aim to build and protect our clients' financial dreams and achieve our financial ambition to generate NHE of R7 billion by F2027, VNB of R1.0 to R1.2 billion, a VNB margin of 1% to 2%, ROE of 20% and improvements of NPS across all client service areas.

27 September 2024
CENTURION

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

Equity sponsor:

Merrill Lynch South Africa (Pty) Limited t/a BofA Securities

Sponsor in Namibia

Simonis Storm Securities (Pty) Limited

Debt sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)