momentum
group

Operating *Update*

for the nine months ended 31 March 2025

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
Bond issuer code: MMIG
(Momentum Metropolitan Life)

OPERATING UPDATE FOR THE NINE MONTHS ENDED 31 MARCH 2025

Overview of key metrics

In line with previous quarterly operating updates, this update serves to inform stakeholders about the Group's operational performance against key measures such as sales volumes and provides guidance and commentary on key factors influencing the Group's earnings for the nine months ended 31 March 2025.

The table below sets out certain key operational metrics for the nine months ended 31 March 2025:

Key operational metrics	3QF2025	3QF2024	change %
Recurring premiums (R million)	**3 102**	2 955	5%
Single premiums (R million)	**43 661**	46 972	(7)%
New business (PVNBP, R million)	**58 043**	60 267	(4)%
Total direct expenses (R million)	**9 784**	9 325	5%
Health members under administration ('000)	**1 299**	1 252	4%

MOMENTUM GROUP SUSTAINS STRONG PERFORMANCE TRAJECTORY

The positive trajectory established at the interim results, continued into the third quarter of F2025. The Group delivered solid operational performance despite escalating geopolitical tensions and subdued economic growth with normalised headline earnings (NHE) of R4.8 billion for the nine months ended 31 March 2025. The earnings run rate in the third quarter was in line with the first two quarters excluding the substantial positive market-related variances of the first six months (of approximately R500 million). Results were underpinned by disciplined execution across the Group's business units and a continued focus on profitable growth.

The Group's sales, as measured by the present value of new business premiums (PVNBP), declined by 4% year-on-year. The third quarter PVNBP experience was in line with the trend seen in the first two quarters.

Value of new business (VNB) continued to grow in the third quarter, albeit slower than in the first half of the financial year. Over the period, VNB was supported by a shift in the new business mix toward more profitable lines and improved performance from Metropolitan Life.

The reduction in the yield curve from 30 June 2024 to 31 March 2025, benefited the bond portfolios backing contractual service margin (CSM) liabilities, while credit spreads on the annuity portfolios also contributed positively to earnings. In addition, stronger equity market performance supported higher fee income from investment contracts. The increase in direct expenses was marginally above inflation across the Group, largely reflective of the long-term incentive plan awards on the back of the Group's strong share price gains over the period. Other contributing factors include the increased spend to meet compliance requirements resulting from regulatory changes, as well as IT investment required to implement the two-pot retirement system reforms. As reported at the interim results for the six months ended 31 December 2024, benefits from the Group-wide performance optimisation project will become more pronounced during F2026. To date savings of R116 million have been identified and are expected to be realised over the next year.

The regulatory solvency positions of the Group's regulated entities remain strong, with most entities near or above the upper end of their specified target solvency ranges. In Momentum Metropolitan Life, the Group's main life insurance entity, the solvency cover ratio decreased from 2.15 times the solvency capital requirement (SCR) (pre-foreseeable dividend) at 31 December 2024 to 2.02 times SCR (pre-foreseeable dividend) at 31 March 2025. The decrease in solvency cover over the quarter reflects the net effect of strong operational earnings offset by dividend payments to the Group and an increase in the SCR. Cash generation remains strong.

We have received approval from the Prudential Authority for the R1 billion share buyback programme communicated at our F2025 interim results and the programme commenced on 14 May 2025.

NEW BUSINESS PERFORMANCE

The tables below show the new business volumes by business unit for the nine-month period:

R million	3QF2025	3QF2024	change %
Momentum Retail	**6 417**	6 280	2%
Momentum Investments	**35 739**	35 319	1%
Metropolitan Life	**4 949**	4 987	(1)%
Momentum Corporate	**8 225**	11 586	(29)%
Africa	**2 713**	2 095	29%
Total PVNBP	**58 043**	**60 267**	**(4)%**

	3QF2025		3QF2024		change %	
R million	Recurring premiums	Single premiums	Recurring premiums	Single premiums	Recurring premiums	Single premiums
Momentum Retail	**807**	**1 942**	795	1 923	2%	1%
Momentum Investments	**212**	**34 818**	191	34 468	11%	1%
Metropolitan Life	**1 252**	**1 338**	1 226	1 527	2%	(12)%
Momentum Corporate	**438**	**4 759**	439	8 258	0%	(42)%
Africa	**393**	**804**	304	796	29%	1%
Total	**3 102**	**43 661**	2 955	46 972	5%	(7)%

SEGMENTAL PERFORMANCE

Momentum Retail

Momentum Retail's earnings continued to benefit from solid performance from the protection business and higher investment income on required capital. Favourable market variances contributed positively to earnings, although to a lesser extent than in the prior period. Earnings growth was partially offset by development expenses relating to the operating model change in Momentum Financial Planning. Although still positive, mortality and morbidity experience variances were lower than in the prior period.

The CSM for Momentum Retail remained broadly in line with the December 2024 balance.

Momentum Retail's PVNBP improved by 2% to R6.4 billion, aided by a 4% improvement in protection new business and a marginal increase in long-term savings business. VNB remained positive year-to-date and reflects a material improvement compared to the prior period, largely due to lower cost of capital and a reduction in sales-related expenses. However, the VNB outcome was modest over the quarter, reflecting the purposeful investment in this portfolio's advice capabilities and related operating model changes.

Momentum Investments

Momentum Investments' earnings were primarily supported by CSM releases on the annuity book following strong new business in prior periods and improved returns on the assets backing the annuities CSM. Earnings were further aided by higher investment income in the Wealth management business. This result was partially offset by lower fee income from the UK investment management business and the recognition of a contingent payment on the RMI Investment Managers Group acquisition.

CSM for Momentum Investments grew marginally over the quarter.

Momentum Investments' new business sales volumes grew slightly to R35.7 billion, aided mainly by higher new business volumes on the Momentum Wealth investment platform business. Life annuities continued to show strong new business volumes, albeit at a lower level than in the prior period, reflecting a shift in business mix from life annuities to living annuities. Improved equity market outlook and the relative decline in long-term interest rates have made living annuities an increasingly attractive option for clients.

VNB was positive for the quarter and year-to-date. However, VNB was impacted by the change in the new business mix away from higher-margin life annuity products.

Assets under administration improved by 9% mainly due to positive net flows across the Momentum Wealth investment platform and favourable market performance over the period. Assets under management improved by 7%.

Metropolitan Life

Metropolitan Life's earnings were primarily driven by the improvement in new business profitability, notably on the protection business, following product commerciality and distribution optimisation initiatives. Earnings continued to benefit from positive persistency experience variance, supported by improvements in observed lapse experience on the protection business. Mortality and morbidity experience improved slightly relative to the prior period. Positive market variances and stronger investment income further boosted earnings. Expenses remained well controlled.

The CSM in Metropolitan Life remained largely unchanged from December 2024.

PVNBP declined marginally from the prior period to R4.9 billion, mainly due to lower single premium annuity business sales and a smaller distribution force. Protection business new business volumes declined marginally. This was partially offset by solid growth in recurring premium long-term savings sales, aided by the launch of new products in response to the implementation of the two-pot retirement system.

Although positive for the quarter, VNB remained negative year-to-date. Positive VNB in the quarter was supported by lower distribution costs and initial expenses from the distribution optimisation initiatives as well as the impact of product commerciality actions.

Metropolitan Life continues to make good progress on the five-point plan:

- Product commerciality: We continue to optimise product features, commission structures and market access fees. The focus for the remainder of F2025 is on new partnerships and increased market access.
- Channel workforce management: Following the recruitment freeze and channel optimisation measures implemented in November 2024, the adviser force has been reduced to approximately 2 200. However, the proportion of experienced advisers (those with more than 12 months' tenure) has increased and productivity per tied agent exceeded three policies per week for February and March.
- Quality of new business: Our focus remained on optimising premium collections, changing commission payment to receipt of the first premium for high-risk cases, and fraud prevention initiatives.
- Aligning the cost base to revenue: Digital adoption in service channels has resulted in efficiencies in the service environment.
- System migration: The successful conclusion of the administration system migration should result in further savings in due course.

Momentum Corporate

Momentum Corporate's earnings were aided by strong underwriting profits, favourable market variances on both disability income and annuity businesses, and increased investment income. However, Momentum Corporate experienced higher claims than in the first six months of the financial year. Market variances were also more subdued over the latest quarter. Expenses rose, primarily due to inflationary pressure and elevated IT costs related to the implementation of the two-pot retirement system.

Momentum Corporate's CSM, which is primarily driven by guaranteed and with-profit annuities business, increased from December 2024.

Momentum Corporate's PVNBP declined by 29% to R8.2 billion compared to the prior period, mainly due to lower FundsAtWork single and recurring premium new business and the impact of sizeable single premium large flows included in the prior period.

VNB remained negative year-to-date and over the quarter, largely due to lower sales volumes as well as a change in the new business mix away from higher margin business.

Health

Health's earnings benefited from a 5% increase in fee income, supported by membership growth across most schemes and the annual increase in administration and managed care fees. An increase in expenses, largely due to higher incentive costs, partially offset the aforementioned revenue growth.

Overall membership growth of 4% was achieved, driven by solid growth in Health4Me (12%) and the public sector (4%). Membership in the open Momentum Medical Scheme increased by 1%, following a steady recovery in membership volumes within employer groups, SMME and retail clients. The corporate market segment membership declined by 4%.

Guardrisk

Guardrisk's earnings continued to benefit from strong underwriting profit growth in Guardrisk General Insurance, increased management fee income from the mining rehabilitation guarantee and corporate risk solution businesses, as well as higher investment income. Earnings were further supported by the inclusion of Zestlife's contribution, which was not included in the prior period base.

Earnings growth was partially offset by an increase in expenses, largely attributable to higher personnel costs as the business invested in building capacity to support future growth and regulatory compliance requirements.

New business volumes saw strong growth, notably in the mining rehabilitation and corporate risk solutions in Guardrisk Insurance, as well as volume and affinity business in Guardrisk Life.

Momentum Insure

Momentum Insure's earnings remained robust over the third quarter. This result was largely aided by a material improvement in the combined ratio and higher investment income. Only modest growth in gross written premiums (GWP) was achieved.

The stronger combined ratio, which ended better than the long-term targeted range of between 92% to 97%, was primarily supported by a lower claims ratio of 51.2%. The claims ratio improvement follows continued success on the renewal strategy and good weather experience with no large weather aggregations over the period. The expense ratio increased in line with management expectations, mainly due to ongoing investment in digital and risk modelling capabilities.

New business volumes grew by 20% compared to the prior period. However, this was insufficient to offset the decline in the in-force book fully. Persistency levels deteriorated marginally but remained in line with management expectations and remain slightly better than industry norms. As a result, GWP increased by 1% from the prior period. While top-line premium growth is a key focus area, management's priority is to build a stable, profitable core business as a foundation for future growth.

Africa

Africa's earnings were primarily supported by lower claims ratios in the health and short-term insurance businesses, higher fee income in the asset management business, and stronger investment returns. This result was partially dampened by increased new business strain in Botswana and Lesotho, driven by higher initial and commission expenses. Mortality experience remained in line with expectations in most countries except Namibia, where protection claims were elevated.

Africa's PVNBP improved by 29% to R2.7 billion compared to the prior period. Strong growth in corporate new business volumes in Namibia and Lesotho, and higher retail new business volumes in Namibia, Lesotho and Botswana were key drivers of this result. VNB improved marginally over the quarter and year-to-date, mainly driven by strong new business growth in annuities, corporate risk and corporate savings business in Lesotho. This was partially offset by a deterioration in Namibia's VNB due to new business volume growth being insufficient to cover higher sales-related expenses and commission in the period.

India[1]

ABHI continues on an aggressive growth drive and increased its market share. The focus remains on managing the claims and expense ratios and delivering positive earnings. Earnings improved significantly compared to the prior period, primarily aided by steady GWP growth of 32%, with solid contributions from both group and retail business. Earnings were further supported by a reduction in onerous contracts and an improvement in the combined ratio from 121% to 114%. The lower combined ratio followed an improvement in the expense ratio to 37%, supported by a shift in mix towards the lower-cost group business and improved pricing across all business lines.

Given the compelling market opportunity and the differentiated business model, we remain optimistic about the growth potential of our health insurance business in India.

OUTLOOK

We are pleased with the performance the Momentum Group achieved over the period.

While we are cognisant of potential risks from local and global headwinds, our robust financial position, and diversified product offering position us well to achieve sustainable earnings, sales growth, and long-term value creation. From a market impact perspective, initial losses driven by tariff-related market shocks at the start of April have largely reversed. This underscores the resilience of our investment portfolio and the robustness of our balance sheet.

We are resolute in our purpose to build and protect our clients' financial dreams. We reaffirm our unwavering commitment to delivering value to our clients and stakeholders and will continue our focus on driving sales volumes and providing innovative solutions to improve VNB outcomes.

We remain focused on delivering on the Impact strategy, with continued progress on strategic initiatives gaining momentum. We believe that the financial ambitions for F2027 (NHE of R7 billion, ROE of 20% and VNB margin of 1% to 2%) are achievable. We look forward to sharing more detail in this regard at our capital markets day tomorrow, 3 June 2025.

2 June 2025
CENTURION

The information in this commentary, including the financial information on which the outlook is based and any non-IFRS financial measures (which are presented for additional information purposes only), is the responsibility of the directors of Momentum Group and has not been reviewed and reported on by Momentum Group's external auditors.

[1] Results for ABHI are reported with a three-month lag, the results for 3QF2025 reflect Momentum Group's stake of 44.08%. Results include support costs incurred by Momentum Group outside of the joint venture.

CONFERENCE CALL

The executive management of Momentum Group will be hosting a conference call for shareholders, investors and analysts on 2 June 2025.

We kindly request callers to preregister using the following link https://www.diamondpass.net/7294653

A passcode and PIN will be generated following registration. We advise callers to dial in five minutes before the conference call starts at 16:00.

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

Access numbers for the recorded playback:

South Africa	010 500 4108
UK	0 203 608 8021
USA and Canada	1 412 317 0088
Other countries	+27 10 500 4108

Access code for the recorded playback: 47405

Equity sponsor:

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