



MMI HOLDINGS

Advancing Client Centricity

2016 interim results

For the six months ended 31 December 2015



Agenda

A decorative graphic consisting of a thick blue wave on the left side that transitions into a thin white wave on the right side, set against a dark grey background.

External environment

Group strategy

Financial results

Capital management

Critical focus areas

External environment - International

Growth-negative

- Slower global economic growth
- Chinese shift to services economy
- Reduced attractiveness of emerging markets
- Fragile global trade activity

Growth-negative for commodity-based economies

External environment - South Africa

Growth factors

- Sovereign downgrade threat
- Policy uncertainty
- Low business, insurance and consumer confidence
- Low new fixed investment
- Drought

Disposable income factors

- Rising interest rates
- Rising fiscal pressures
- Rising inflation
- Dip in real wages
- Higher food prices
- Weak exchange rate
- Poor employment outlook
- Challenges in the mining sector

Growth-negative and pressure on disposable income

External environment

Volatile equity market



	1H2015	2H2015	1H2016
JSE All Share Index	-2.3%	+4.1%	-2.1%

External environment

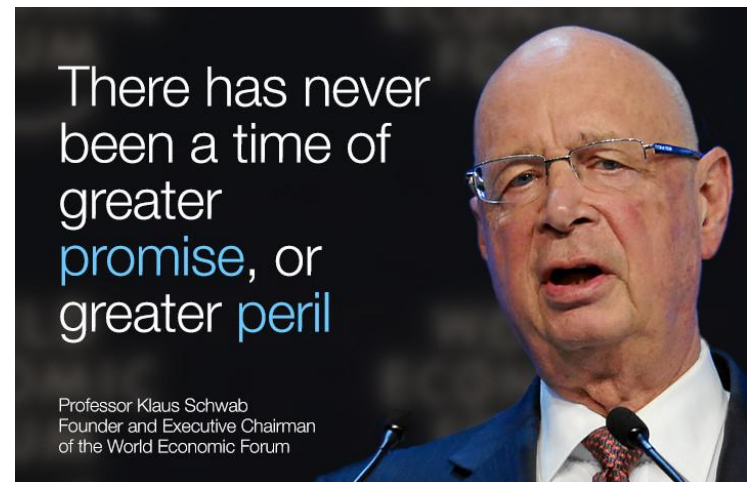
Increasing bond yields – increased risk discount rate



	1H2015	2H2015	1H2016
Risk discount rate	-30bps	+40bps	+140bps

Trends

- Trust deficit
- Internet of Things (constant and pervasive connectivity)
- Platform economy
- Big Data
- Mobile commerce
- Client expectations
- Consumer power
- Disruption and lower barriers to entry



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Financial results

Capital management

Critical focus areas

MMI strategy map

PURPOSE

To enhance the lifetime financial wellness of people, their communities and their businesses

Strategic focus areas and objectives



Growth

- Grow through geographical diversification
- Increase value of existing clients
- Increase client base



Client centricity

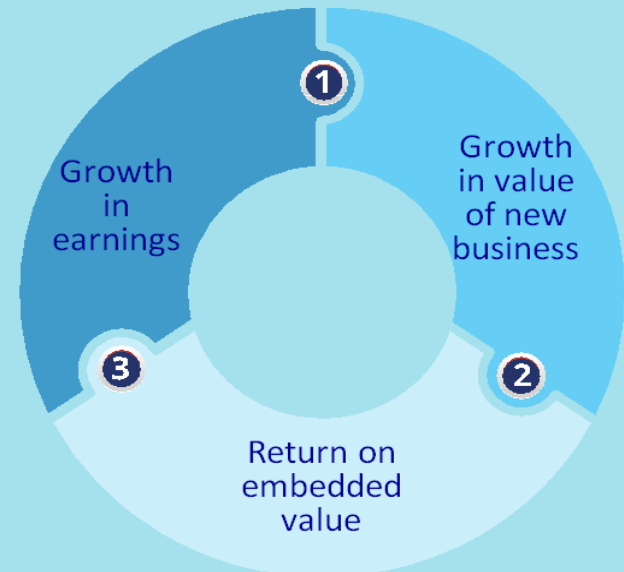
- Increase financial wellness
- Improve client relationships and client experience



Excellence

- Improve efficiencies

Financial Aspirations



Client Aspirations

"My financial wellness partner"

Enablers

Flexible and modular systems

Innovation

Culture

Data analytics

External environment - South Africa



momentum

UNISA university of south africa

Purposeful collaboration towards Financial Wellness in South Africa

Financial wellness challenges for SA Households

MMI strategy





MMI Purpose

To enhance the lifetime financial wellness of people, their communities and their businesses

MMI strategy

Financial wellness

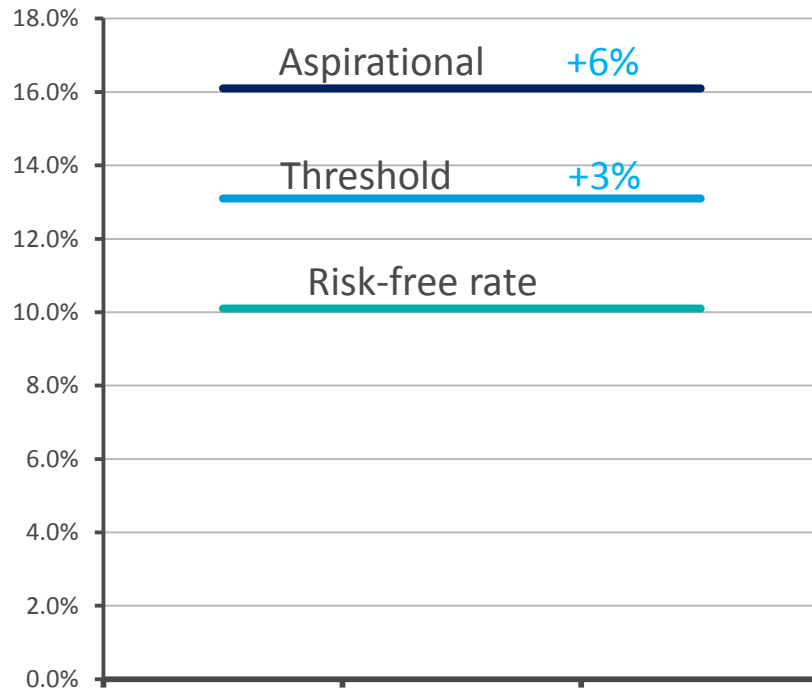
A person or household is financially well when they can cover planned and unplanned expenses, now and in the future

 <p>momentum for your financial wellness</p> <p>Financially Distressed: every delivery is hit and miss.</p> <p>Financially Distressed is when you constantly borrow money just to be able to afford food, a place to stay and transport.</p>	 <p>momentum for your financial wellness</p> <p>Financially Unstable: you've taken your eye off the ball.</p> <p>Financially Unstable is when you regularly miss payments and borrow more money every year just to get by every month.</p>	 <p>momentum for your financial wellness</p> <p>Financially Exposed: your shot selection needs work.</p> <p>Financially Exposed is when you can pay your planned expenses, but unforeseen expenses force you to juggle your budget, borrow money or delve into long-term savings like retirement money.</p>	 <p>momentum for your financial wellness</p> <p>Financially Well: you've got it covered.</p> <p>Financially Well is when you can comfortably and sustainably cover your planned and unforeseen expenses now and in the future.</p>
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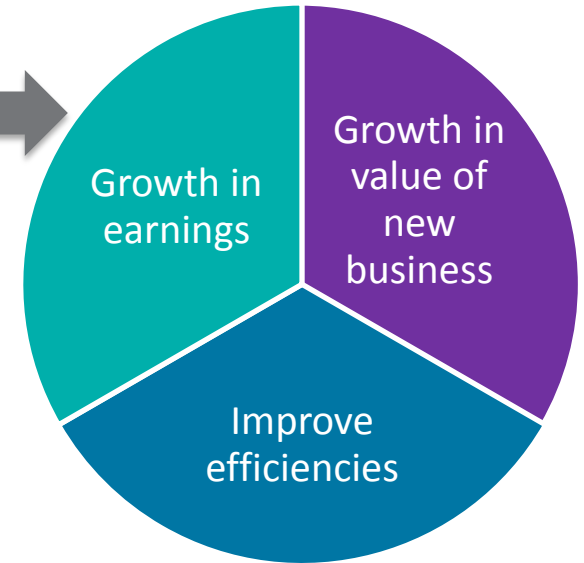
Financial aspiration

Maximise shareholder value

Return on embedded value



Supported by



Strategic focus areas



Growth



Client centricity



Excellence

Strategic focus areas

Growth

- Growth through geographical diversification
- Increase value of existing clients
- Increase client base



Client centricity

- Increase financial wellness
- Improve client relationships and client experience



Excellence

- Improve efficiencies



Strategic focus areas - Growth

Growth through geographical diversification

- India
- Africa
- UK

Increase value of existing clients

- Multiply Wellness & Rewards
- Cross-product holdings
- Short-term insurance

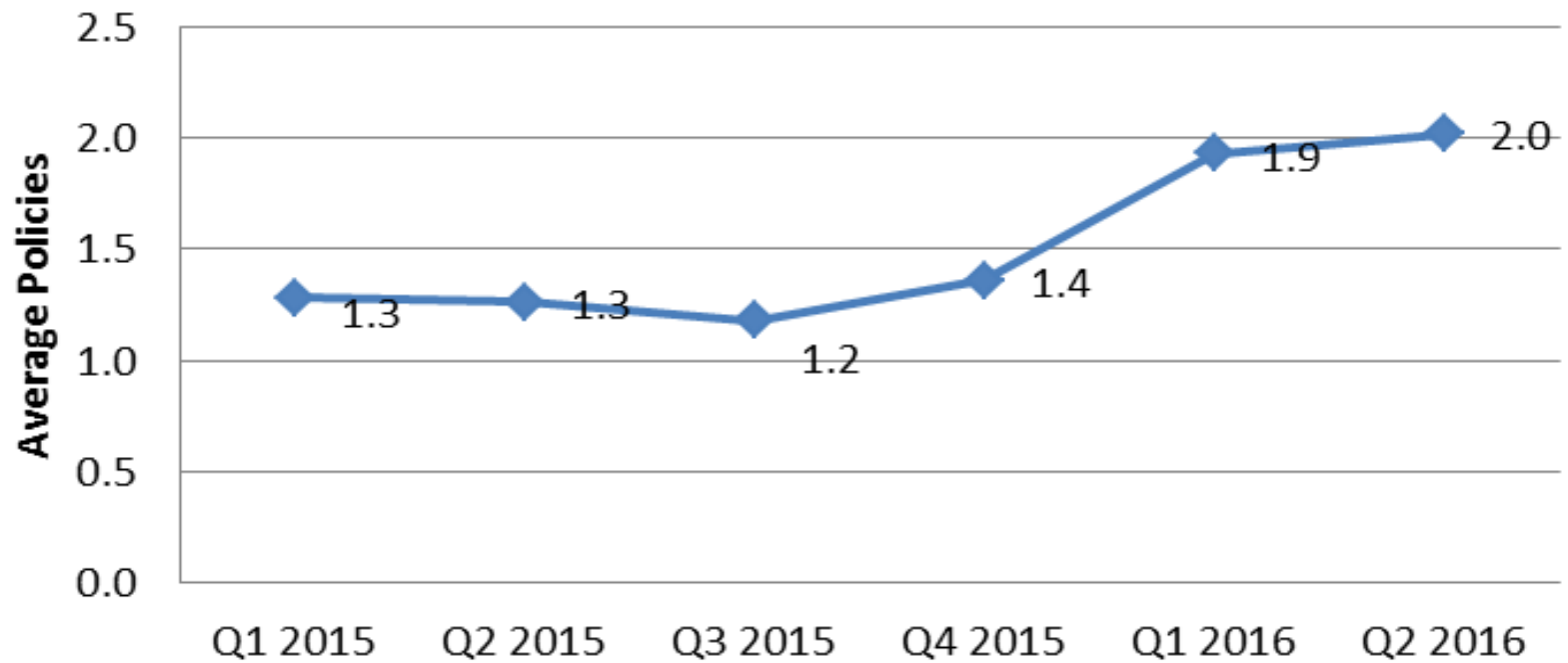
Increase client base

- Middle market
- Channel growth
- Corporate transactions (M&A)
- Affinity market



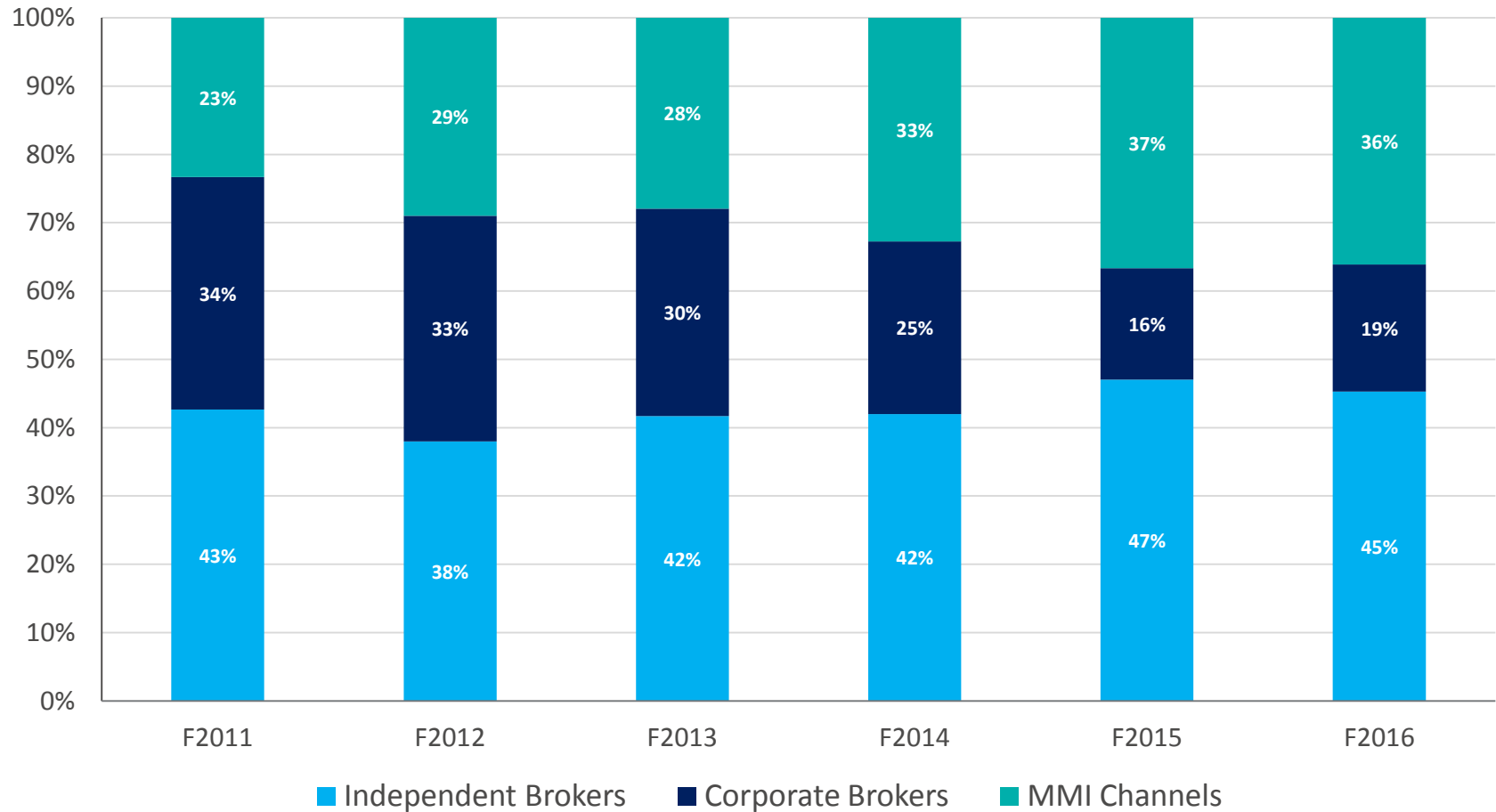
Strategic focus areas - Growth

Metropolitan Agent Productivity – per week



Strategic focus areas - Growth

Momentum APE contribution per channel



Strategic focus areas - Client centricity

Increase Financial Wellness

- UNISA Financial Wellness score
- Multiply Wellness & Rewards sales up 95%
- Multiply Private Club cross-sell of 5.6



Improve client relationships and client experience

- Client satisfaction scores
 - Client aspirations measurements
 - Segments to roll out new client value propositions
-

Strategic focus areas - Client centricity

Improve client relationships

Client experience, wellness and rewards

How Multiply works

Get Multiply
Got your qualifying Momentum product?
Then join!

get going
By using our solutions to take action to improve each of these areas

- FINANCIAL WELLNESS
- YOUR HEALTH
- YOUR FITNESS
- EDUCATION
- YOUR SAFETY

check yourself
Get aware by completing our online assessments to understand your finances, health, fitness and safety. Now we know how to help you too.

- FINANCIAL WELLNESS
- YOUR HEALTH
- YOUR FITNESS
- YOUR SAFETY

measure up
Stay on top of your wellness with Your Scores.

- FINANCIAL WELLNESS
MY SCORE
- YOUR HEALTH
HEALTHY HEART SCORE
- YOUR FITNESS
ACTIVE DAYZ™
- YOUR SAFETY
SAFETY SCORE

Points and Rewards
Earn points for every assessment and action.
The more points you get, the richer your rewards.

Strategic focus areas - Excellence

Improve efficiencies

- Client-centric operating model enhancing efficiencies
- Annual savings target of R750m by FY2019



Strategic focus areas - Excellence



MMI strategic enablers

MMI Way

Incremental innovation



Disruptive innovation



anthemis | group



Agenda

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External environment

Group strategy

Financial results

Operational results

Critical focus areas

Financial results

Key financial metrics

Return on
embedded value

+7%
R40bn

New business
PVP

+14%
R27bn

Value of new
business

-14%
R361m

Value of new
business on
consistent
discount rate

+4%

Financial results

Key financial metrics

Diluted earnings

+14%

R1.5bn

Diluted core
headline earnings

-9%

R1.7bn

Interim dividend

+3%

65cps

Financial results

Diluted core headline earnings per segment

	Dec 2014	Dec 2015	1 year change
	<i>Rm</i>	<i>Rm</i>	
Momentum Retail	745	705	(5)%
Metropolitan Retail	273	311	14%
Corporate and Public Sector	377	379	1%
International	62	31	(50)%
Segment results	1 457	1 426	(2)%
Shareholder capital	395	253	(36)%
Total	1 852	1 679	(9)%

Profits impacted by underwriting experience

Financial results

Total earnings (diluted)

	Dec 2014	Dec 2015	1 year change
	<i>Rm</i>	<i>Rm</i>	
Core headline earnings	1 852	1 679	(9)%
Amortisation of intangibles	(330)	(373)	
Fair value gains	(73)	265	
Basis changes and investment variances	(25)	(68)	
Other adjustments	(61)	(74)	
Headline earnings	1 363	1 429	5%
Other adjustments – Sale of subsidiary	(3)	115	
Diluted earnings	1 360	1 544	14%

Solid increase in diluted earnings

Financial results

Investments in strategic growth initiatives

	Dec 2014	Dec 2015
	<i>Rm</i>	<i>Rm</i>
Core headline earnings as reported	1 852	1 679
Additional investments in growth initiatives	254	283
<div style="border: 1px solid black; padding: 5px;"><ul style="list-style-type: none">Momentum RetailMetropolitan RetailCorporate and Public SectorInternationalShareholder capital</div>		
Percentage of core headline earnings	14%	17%

Investments impacted overall profit growth

Financial results

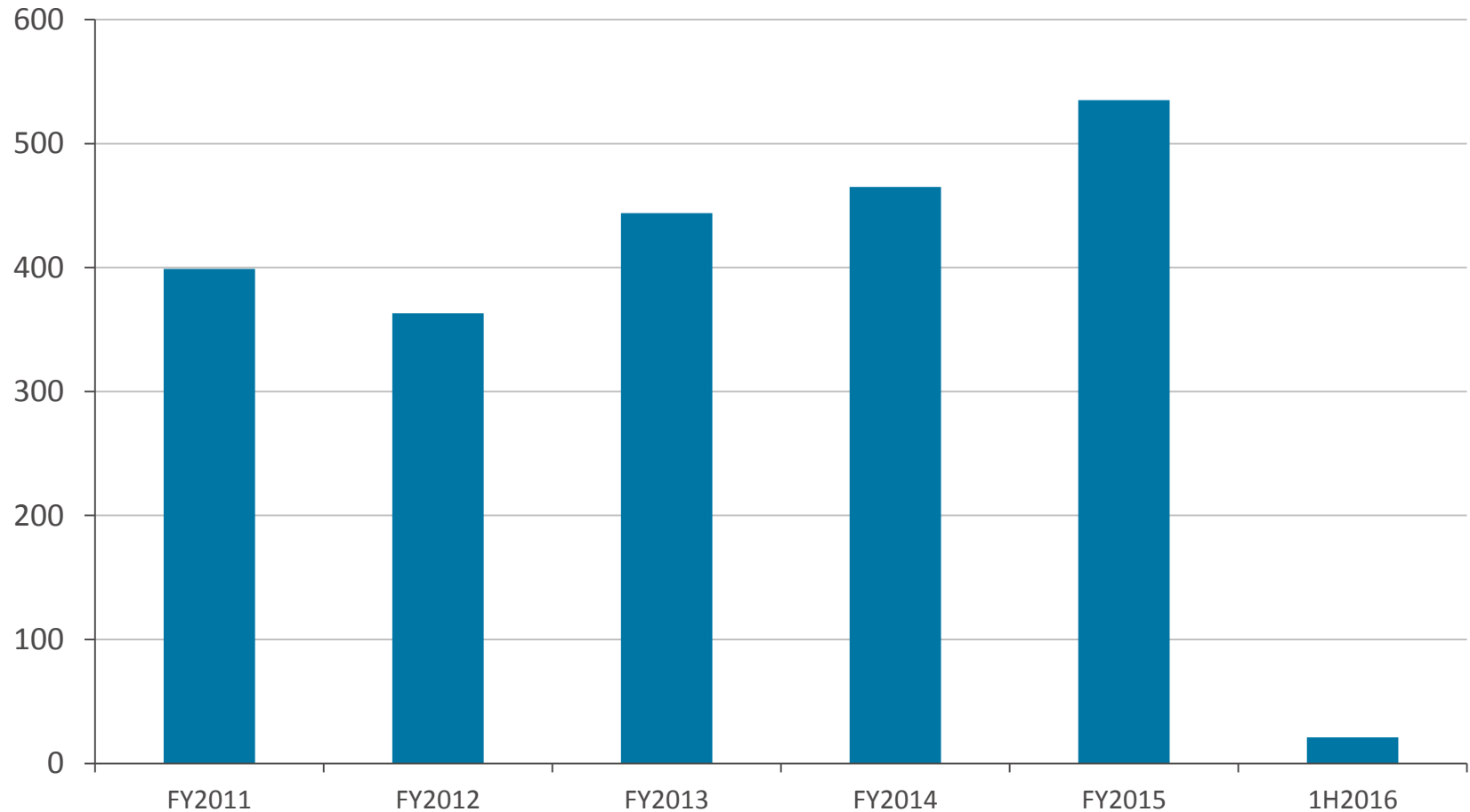
Impact of underwriting experience

	Dec 2014	Dec 2015	1 year change
	<i>Rm</i>	<i>Rm</i>	
Core headline earnings as reported	1 852	1 679	(9)%
Less: Life insurance underwriting experience	267	21	
Adjusted core headline earnings	1 585	1 658	5%
Less: Non-life underwriting profit	87	41	
Core headline earnings before underwriting	1 498	1 617	8%

Profit growth restricted by higher claims

Financial results

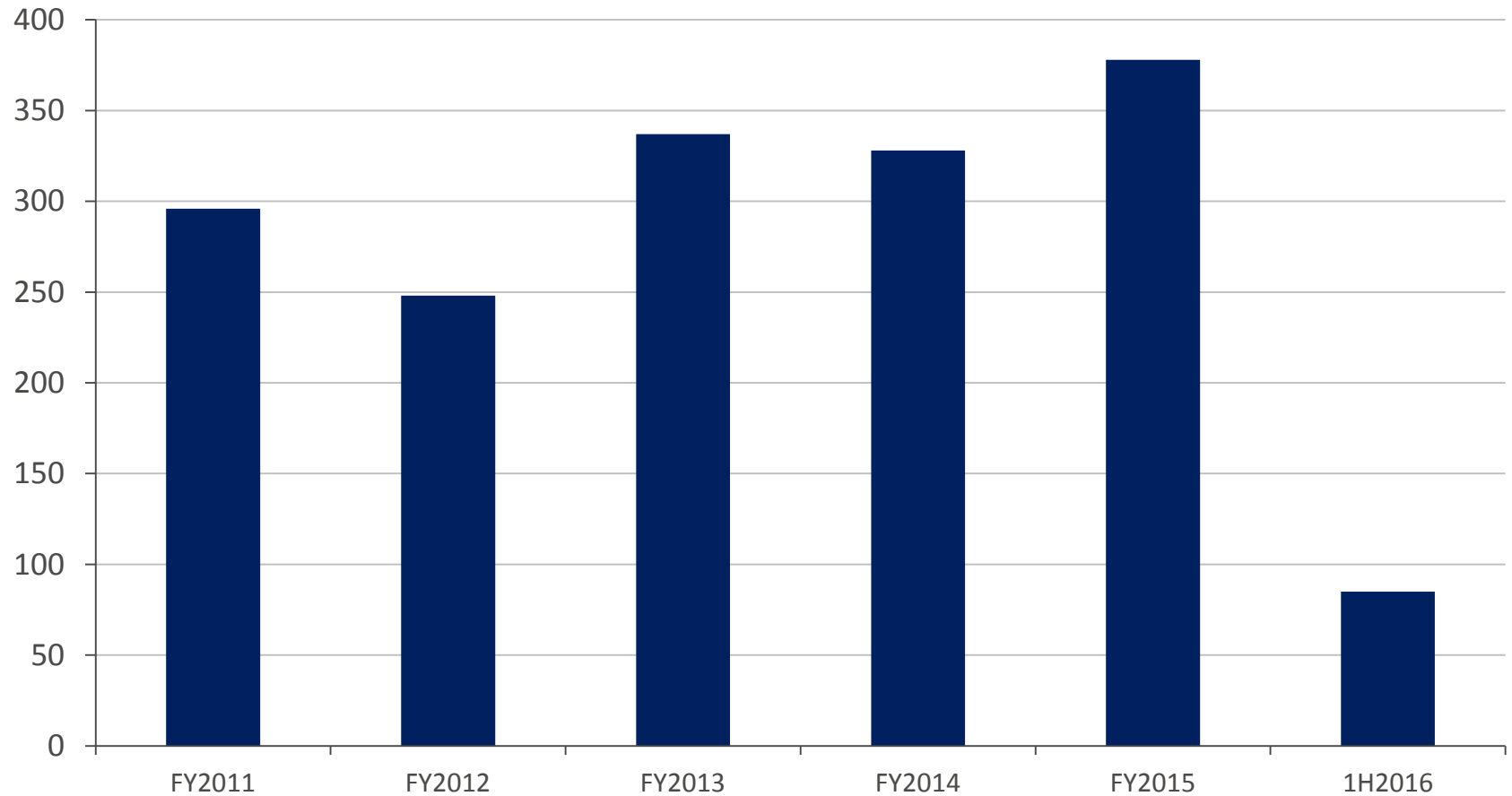
Total life insurance Mortality and Morbidity experience – full year



Significant reduction in underwriting profits

Financial results

MMI Retail insurance Mortality and Morbidity experience



Significant reduction in underwriting profits

Financial results

Life underwriting profits

Momentum Retail

- Increase in number of claims below reinsurance threshold
 - Higher average claim size
 - No undue concentration risk
 - No indication of fraud
-

Financial results

Life underwriting profits

Corporate and Public Sector

- Impact of economic environment and cyclicalities
 - Increased number of Income Disability entrants in higher income level
 - Greater proportion of claims due to stress-related illnesses
 - Higher Group Life scheme terminations due to competitive pressure on rates
-

Financial results

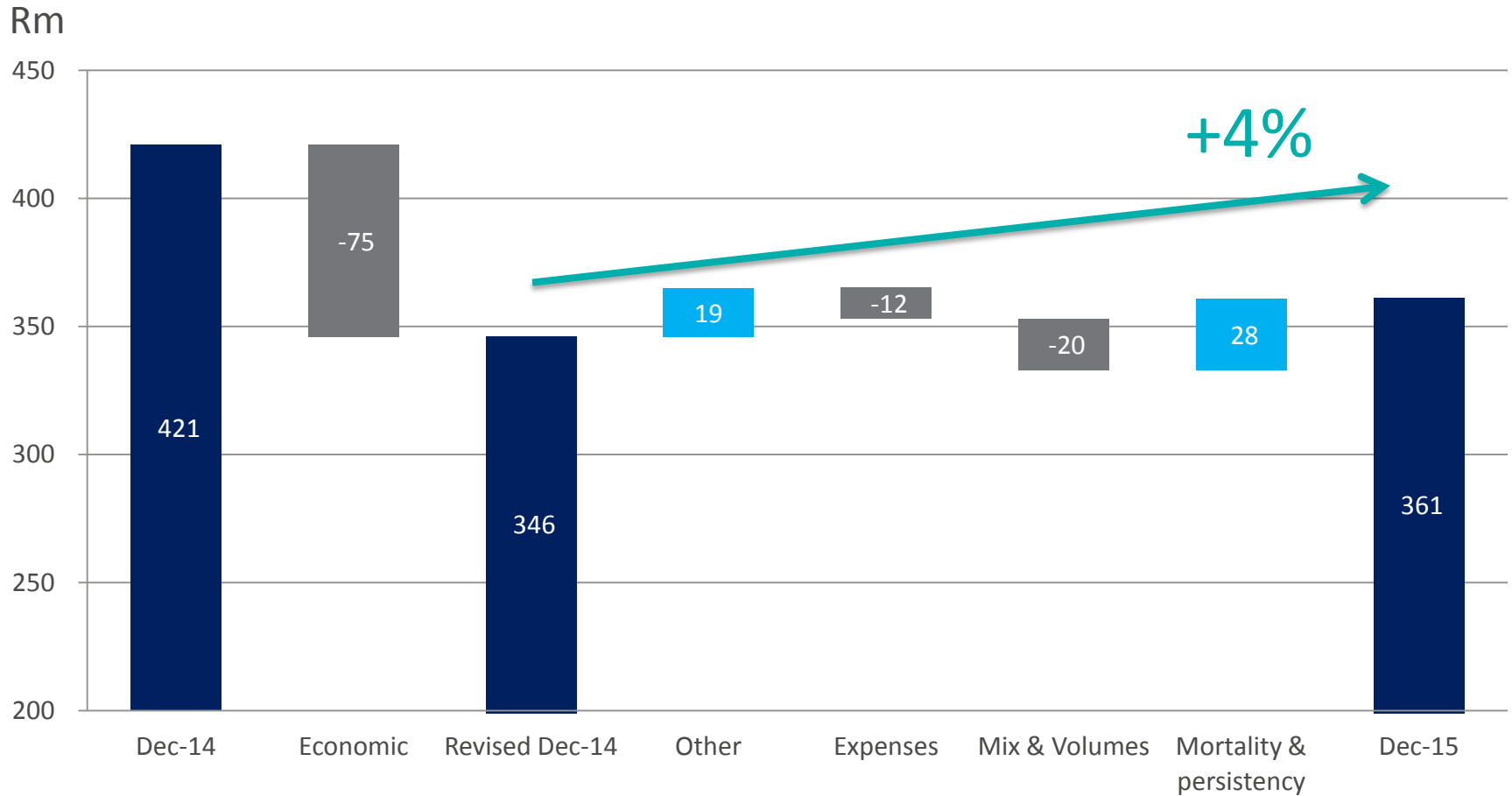
New business per segment

	Dec 2014	Dec 2015	1 year change
	<i>Rm</i>	<i>Rm</i>	
Momentum Retail	11 817	12 673	7%
Metropolitan Retail	2 684	2 411	(10)%
Corporate and Public Sector	8 369	10 921	30%
International	975	1 265	30%
Total PVP	23 845	27 270	14%
Total APE	3 126	3 473	11%

Strong growth in a difficult market

Financial results

Value of new business attribution



Growth on a consistent economic basis

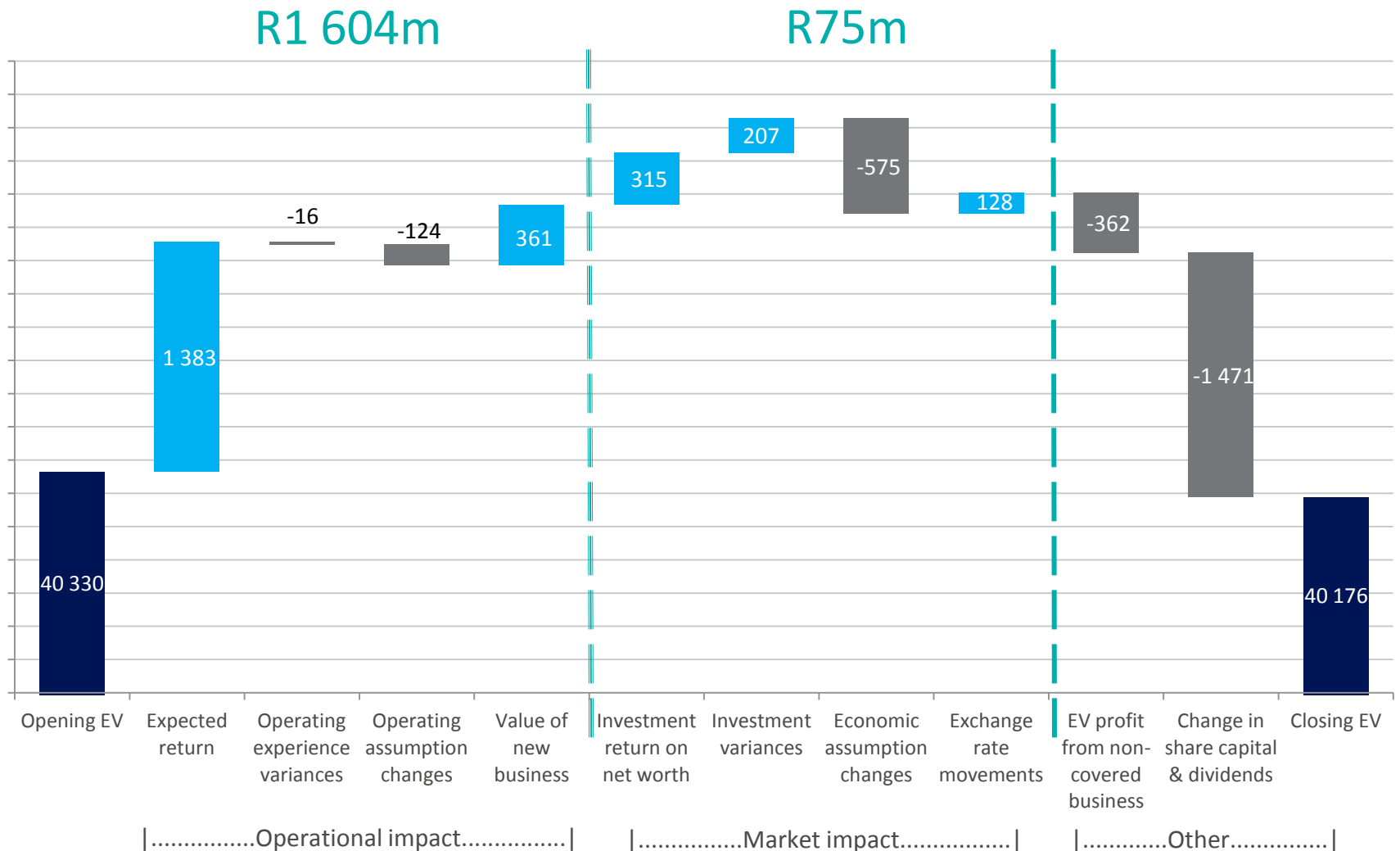
Financial results

Value of new business per segment

	Dec 2014	Dec 2014 Rebased	Dec 2015	1 year change
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	
Momentum Retail	127	104	126	21%
Metropolitan Retail	107	67	68	1%
Corporate and Public Sector	160	159	137	(14)%
International	27	16	30	88%
Total	421	346	361	4%
New business margin (PVP)	1.77%	1.45%	1.32%	

Increased discount rate reduced overall margin

EV analysis (Rm)



Analysis of return on embedded value (ROEV)

	Dec 2014	ROEV 2014	Dec 2015	ROEV 2015
	Rm		Rm	
Expected return – unwind of RDR	1 331	6.9%	1 383	7.0%
Operating experience variances	215	1.1%	(16)	(0.1)%
Embedded value from new business	421	2.2%	361	1.8%
Investment return on adjusted net worth	431	2.2%	315	1.6%
Investment variances	(495)	(2.5)%	207	1.0%
Non-covered (excl basis changes)	261	1.3%	(332)	(1.7)%
Total (excl assumption changes)	2 164	11.2%	1 918	9.6%
Operating assumption changes	(57)	(0.3)%	(154)	(0.8)%
Economic assumption changes	115	0.6%	(575)	(2.9)%
Exchange rate movements	4	-	128	0.7%
Total return on embedded value	2 226	11.5%	1 317	6.6%

Agenda

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External environment

Group strategy

Financial results

Capital management

Critical focus areas

Capital strength

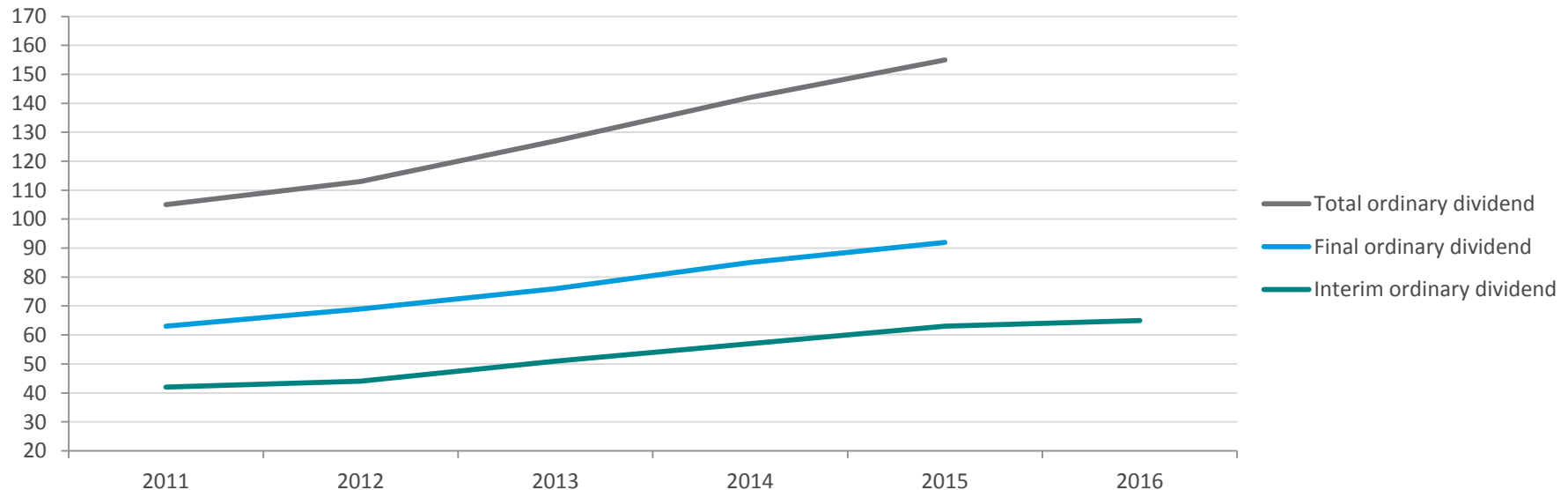
Economic capital

	Rbn
Net asset value as per embedded value statement	16.8
Qualifying debt	3.5
Less: net asset value of strategic subsidiaries	(2.5)
Less: required capital	(10.1)
Capital before deployment	7.7
Deployed	(3.7)
Interim dividend	(1.0)
Strategic initiatives	(2.7)
Capital buffer after deployment	4.0

Dividend

Dividend policy

- Stable dividend growth
- Long-term view
- Growth in core headline earnings
- Allowance for volatile investment markets, capital requirements and changes in legislation
- **Separate dividend policy from capital management**



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MMI strategy map

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Client centricity

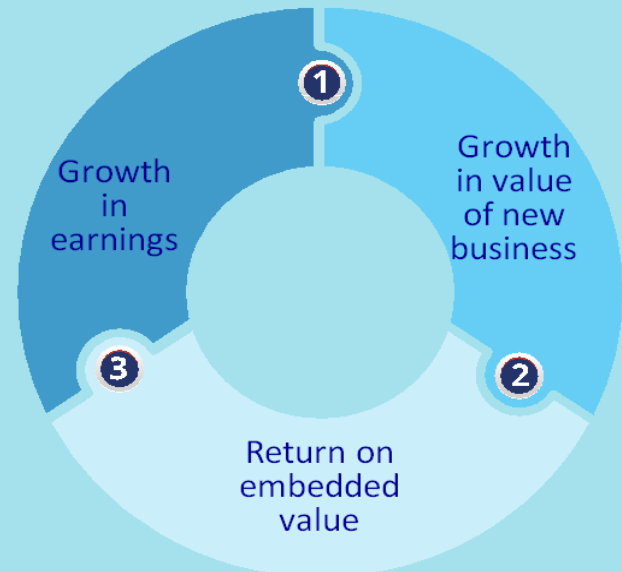
- Increase financial wellness
- Improve client relationships and client experience



Excellence

- Improve efficiencies

Financial Aspirations



Client Aspirations

"My financial wellness partner"

Enablers

Flexible and modular systems

Innovation

Culture

Data analytics

Critical focus areas



Growth

Channel Growth

- Metropolitan Retail
- Momentum Retail
- Corporate and Public Sector

Geographic Diversification

- United Kingdom
- India
- Africa



Client centricity

Client Engagement Solutions



Excellence

Expense optimisation

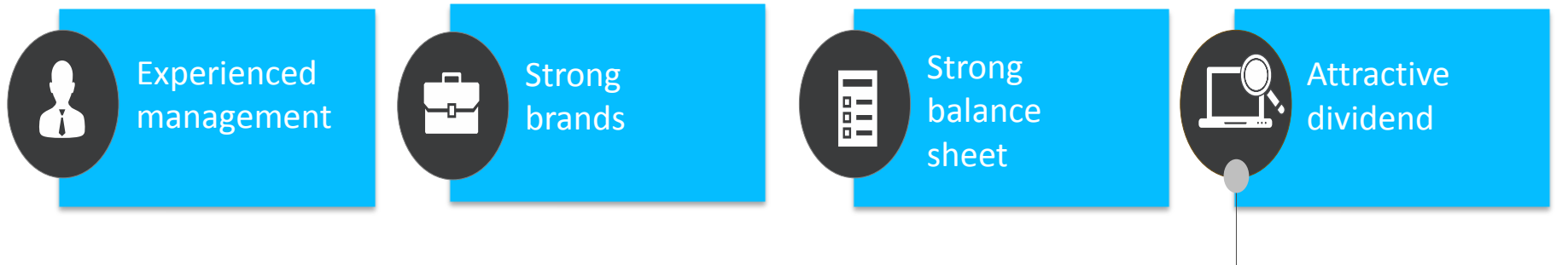
Health

Investments and Savings

Short-term insurance

Underwriting experience

Areas of strength





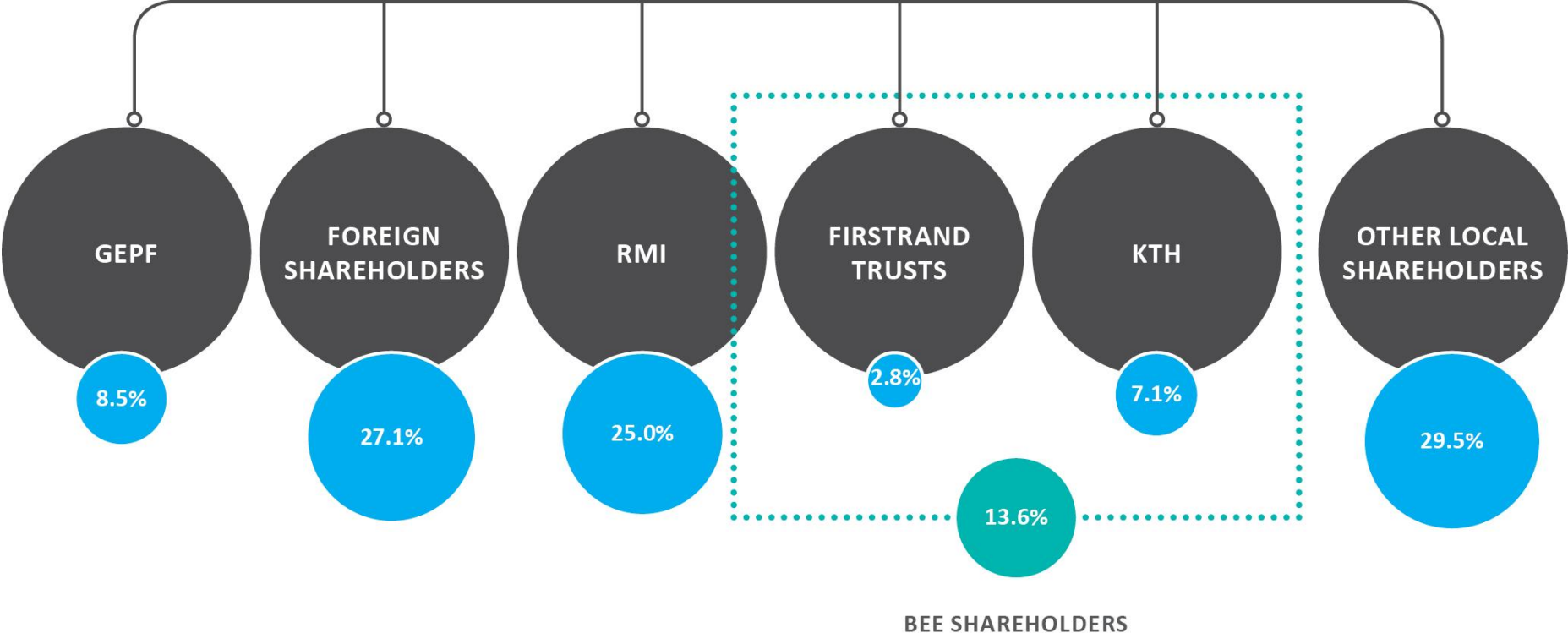
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Additional information

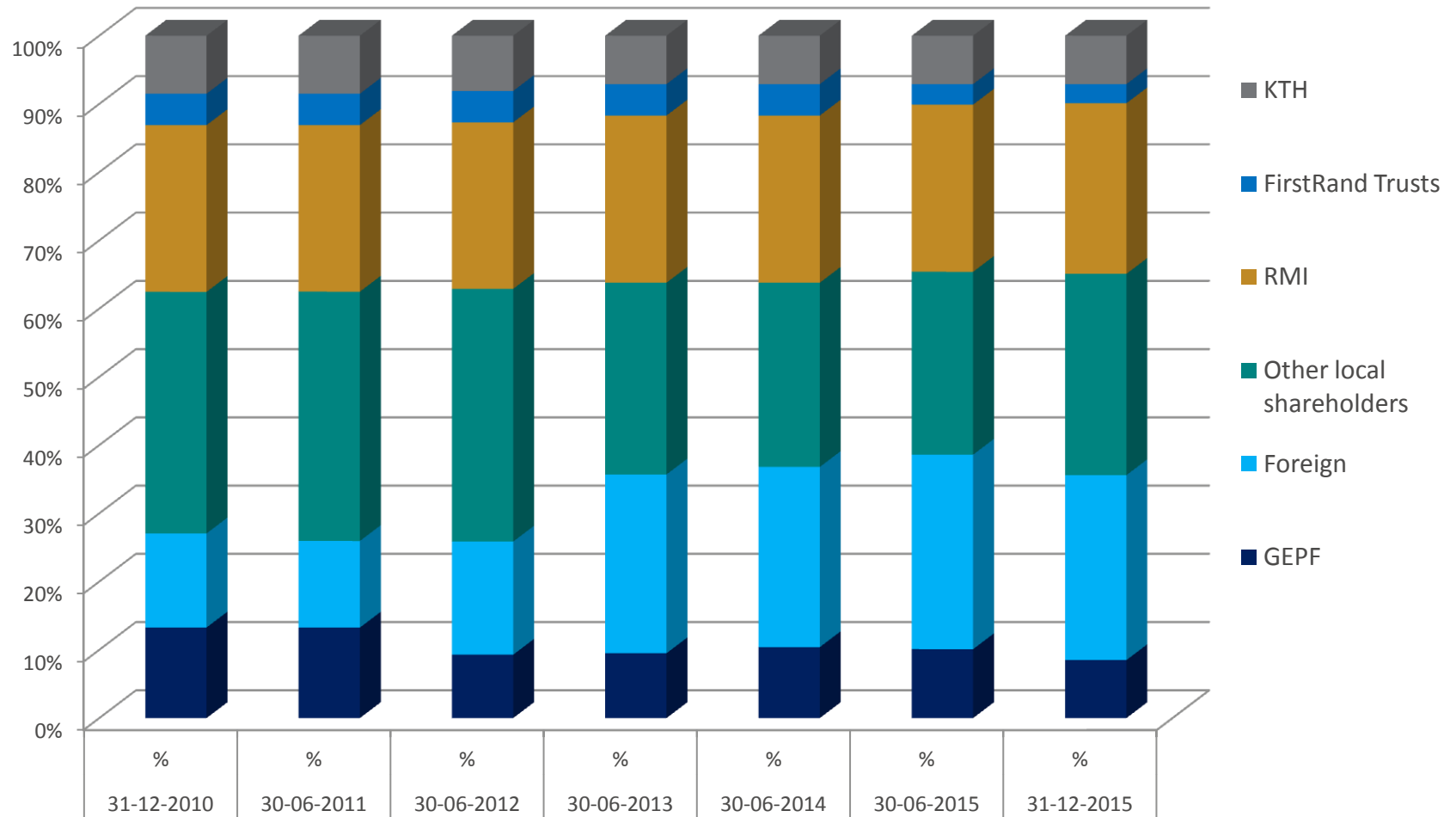


Shareholder structure

as at 31 December 2015



Shareholder structure



Momentum Retail

	Dec 2014	Dec 2015	1 year change
	<i>Rm</i>	<i>Rm</i>	
Total funds received	18 271	16 570	(9)%
New business PVP	11 817	12 673	7%
Recurring	630	627	-
Single	7 883	9 063	15%
Value of new business	127	126	(1)%
Non-life profit after tax	31	(43)	
Life insurance profit after tax	714	748	5%

Key aspects

- Good single premium new business
- Investment markets reduced fee growth
- Significantly reduced mortality profits
- Reduced contribution from non-life business
- Increased RdR reduced VNB by R23m

Focusing on client centricity

Metropolitan Retail

	Dec 2014	Dec 2015	1 year change
	<i>Rm</i>	<i>Rm</i>	
Total funds received	3 456	3 645	5%
New business PVP	2 684	2 411	(10)%
Recurring	581	530	(9)%
Single	590	641	9%
Value of new business	107	68	(36)%
Operating profit after tax	273	311	14%

Key aspects

- Increasing agent numbers and productivity
- Improving persistency
- Strong expense management
- Increased RdR reduced VNB by R40m
- Good profit growth

Distribution improving in a tough market

Corporate and Public Sector

	Dec 2014	Dec 2015	1 year change
	<i>Rm</i>	<i>Rm</i>	
Total funds received	15 783	13 670	(13)%
New business PVP	8 369	10 921	30%
Recurring	509	862	69%
Single	3 681	2 419	(34)%
Value of new business	160	137	(14)%
Non-life profit after tax	166	181	9%
Life insurance profit after tax	211	198	(6)%

Key aspects

- Strong recurring premium growth
- Appropriate client retention
- Lower underwriting experience impacted by economic factors
- Mix of new business reduced VNB

Steady growth

International

Key aspects

- Strong new business volumes and value
- Life insurance profit maintained
- Deterioration in claims ratios
- Increased investment in new initiatives

	Dec 2014	Dec 2015	1 year change
	<i>Rm</i>	<i>Rm</i>	
Life insurance			
New business PVP	975	1 265	30%
Value of new business	27	30	11%
Health			
Membership ('000)	431	462	7%
Claims ratio	67%	77%	
Non-covered	(66)	(78)	(18)%
Health insurance	14	11	(21)%
Life insurance	114	98	(14)%

Tough operating conditions

Momentum Short-term Insurance

	1H2015	2H2015	1H2016
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>
Premium income	227	279	286
Claims paid	160	281	245
Operating loss before tax	(51)	(131)	(95)
Policy count	53 483	56 425	52 634
Loss ratio	70.4%	100.7%	85.7%
Combined ratio	128.4%	149.8%	135.6%
Solvency ratio	34.0%	43.6%	33.9%

Key aspects

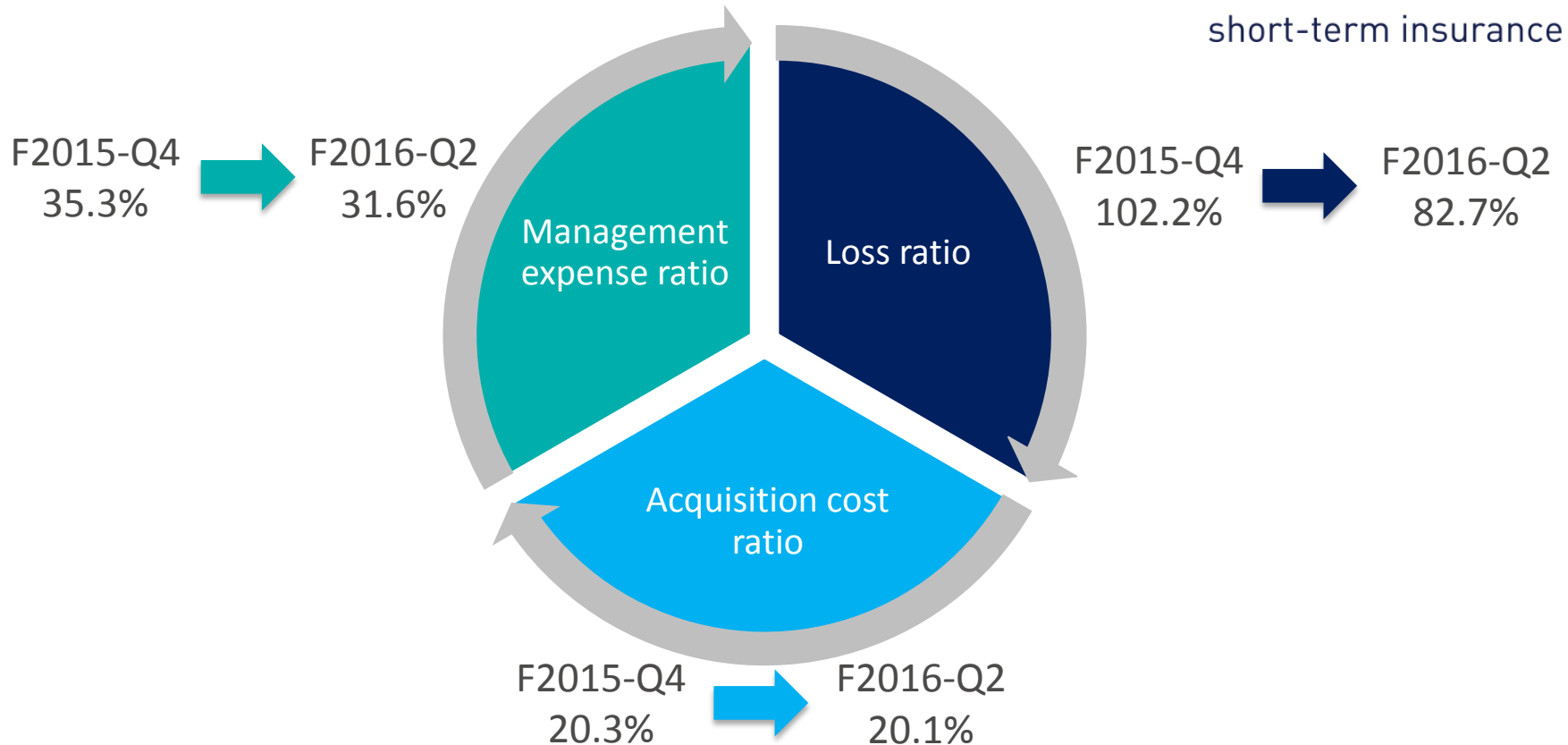
- Terminated unprofitable channels
- Improvement in premium quality
- Improving claims and expense ratios

Improving quality

Momentum Short-term Insurance

Financial Indicators*

momentum
short-term insurance



*compares quarterly movements of F2015-Q4 to F2016-Q2

MMI Investor relations



MMI HOLDINGS

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