



MMI HOLDINGS

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

FINANCIAL HIGHLIGHTS

RETURN on
EMBEDDED
VALUE
13%

VALUE of
NEW BUSINESS
R850 million
+13% on
consistent basis

New business PVP
↑ 35%
to **R68 billion**

Diluted
CORE HEADLINE
EARNINGS
↓ 16%
to **R3.2 billion**

EXPENSE
OPTIMISATION
PROJECT
on track

Total
DIVIDEND
increased to
157 CENTS
PER SHARE

SUMMARY OF RESULTS

Group results

MMI delivered the following performance in an extremely tough environment.

- A strong embedded value of R43.0 billion (2 680 cents per share) was recorded, reflecting a 13% return on embedded value or R5.2 billion embedded value earnings for shareholders.
- New business volumes on the present value of premiums basis (PVP) increased 35% on the prior year, with strong growth in both the Corporate and Public Sector and the International segments. The turnaround in productivity of Metropolitan Retail's distribution channels has also continued, delivering recurring premium growth of 31% in the last quarter of the year.
- Value of new business of R850 million was 11% lower than the exceptionally strong previous year. It should be noted, however, that the value would have been 13% higher than the 2015 total had the discount rate and expense allocation basis remained unchanged.
- Good expense management once again contributed positively to value creation. MMI is targeting a reduction in annual expenses of R750 million by financial year 2019. During 2016 total expense savings of R104 million were achieved, slightly ahead of the planned savings.
- Diluted core headline earnings decreased by 16% to R3.2 billion, mainly driven by lower underwriting profits across the group and subdued investment markets.
- Total diluted earnings and headline earnings ended the year 25% and 27% lower respectively as negative actuarial basis changes, due to increased allowance for group expenses in actuarial reserves, and increased impairments of intangibles further reduced the results.
- Underwriting experience in the retail segments improved compared with the first half of the year, but overall remained below the strong 2015 performance.
- Disability claims in the corporate business, largely linked to the current unfavourable economic conditions, remained above the targeted range, putting downward pressure on group earnings.
- Momentum Short-Term Insurance increased premium income 13% compared with the prior year, while improving the annual claims ratio from 87% to 82%.
- Client retention across the group remained satisfactory. Positive results from recent client-satisfaction surveys confirm progress made with the group's client-centric strategy.
- Significant investments are being made in the development of initiatives that in due course will improve the competitiveness of MMI.
- A final ordinary dividend of 92 cents per share was declared resulting in a total dividend of 157 cents per share, a slight increase on the prior year.

Capital strength

- A strong capital buffer of R4 billion was recorded as at 30 June 2016, after allowing for economic capital requirements, strategic growth initiatives and the final dividend.
- During the year Moody's assigned an Aaa.za national scale insurance financial strength (IFS) rating to MMI Group Limited (MMIGL). They also assigned an Aa2.za rating to MMIGL's unsecured subordinated notes on the national scale.
- Taking into account the focus on growth, changing regulations including Solvency Assessment and Management and the difficult economic outlook, the group is satisfied that its present capital level is appropriate.

Transformation

- MMI is proud to have remained a level two broad-based black economic empowerment (B-BBEE) contributor.

Prospects

- The strategic focus areas of the MMI group are client centricity, growth and excellence.
- Taking into account the economic outlook, the group has increased the focus on efficiencies, whilst continuing to pursue top-line growth.
- MMI continues to invest in growth initiatives with the aim of enhancing shareholder value over the longer term.
- Growth in new business volumes and profits will, however, be impacted by many factors in the South African economy, including employment levels and disposable income.
- The board of MMI Holdings believes that the group has identified and is implementing appropriate and focused strategies to continue unlocking value and generating the required return on capital for shareholders over time.