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A NEW INDUSTRY

Last year we highlighted a number of local and global trends that we believed would have a significant impact on the insurance industry of the future. These trends have become more pronounced during the past year. Regulatory changes, consumer advocacy and technology advances are increasingly joining forces to create a significantly more informed and empowered consumer. The velocity of change continues to increase in a world where technology, big data and the fact that everything is connected have made the creation of entirely new business models a reality. Global surveys show that the CEOs of insurance companies expect continued blurring of industry boundaries, disruption of the insurance industry, the introduction of major new types of competitors, as well as the creation of interconnected ecosystems.

In the new insurance world, insurers will have to significantly improve their understanding of clients, introduce new client engagement models, leverage data and technology, and build ecosystems to deal with the speed of change. We believe our client-centric strategy is the right strategy to capitalise on the opportunities a new insurance environment would offer.

THE RIGHT STRATEGY

Given the current strategic context, MMI's strategy is fundamentally client-centric, vested in the concept of

financial wellness. Our vision is to be the preferred lifetime financial wellness partner, with a reputation for innovation and trustworthiness. In order to realise this strategy, we have defined three strategic focus areas – growth, client centricity and excellence. All strategic activities throughout the entire MMI organisation are aligned with these three focus areas.

STRATEGY IMPLEMENTATION

Operating model

During the past year MMI implemented the new operating model required to support our client-centric strategy. Our four Client Segments are now fully functional and we have established dedicated Centres of Excellence within the Products and Solutions area. The Centres of Excellence deliver the product solutions required by the client value propositions of our Client Segments and comprise centres for Investments and Savings, Life insurance, Short-term insurance, Health solutions, Legacy solutions and Payments solutions. Because of the importance of proactive engagement with clients, we have created a Client Engagement Solutions area in the operating model. This new area uses new technologies, business ecosystems, financial wellness tools and its understanding of human behaviour to improve our clients' experience when engaging with MMI.

GROUP CHIEF EXECUTIVE OFFICER'S OVERVIEW

RETURN on EMBEDDED VALUE of

10%

Profits from OPERATING DIVISIONS increased by

17% to **R3.5 billion**

New business PVP increased by

21% to **R50 billion**

Strategic focus areas

We have made good progress to achieve the strategic objectives in respect of all three our strategic focus areas.



Growth

- *Growth through geographical diversification:* In India, we have signed an agreement with Aditya Birla Group to establish a Health Insurance Joint Venture. Aditya Birla provides a strong brand, distribution and local know-how for our India focus. We are making good progress to operationalise the business in India and are excited about the long-term contribution the Joint Venture can make to our objective to grow through geographical diversification. Africa remains an important part of MMI's growth plans outside South Africa and we have a presence in 12 African countries outside of South Africa. During the year we have streamlined our Africa portfolio into three regional hubs that offer five different product lines. MMI's London office provides a wealth management platform to its clients and we also have a presence in Hong Kong and Indonesia.
- *Increase value of existing clients:* The Legacy solutions Centre of Excellence focused on the optimisation of our legacy book to not only increase the value of existing clients, but also to provide improved value to clients. Clients who are financially well have a more comprehensive range of financial products with us and are therefore more valuable to MMI. In support of higher cross-product holdings, the full suite of short-term insurance capabilities is now available in South Africa and the rest of Africa.
- *Increase client base:* Significant work has been done to improve distribution channel productivity, and the initial results are encouraging in respect of increasing our client base. During the year we created a dedicated Mergers and Acquisitions team to identify potential targets with complementary client bases. Our middle-market segment diversification initiative was launched and has attracted its first clients.



Client centricity

- *Increase financial wellness:* In addition to doubling the number of financial wellness users in our upper income segment, we have developed financial wellness value propositions for our other market segments.
- *Improve client experience and relationships:* The creation of the dedicated Client Engagement Solutions area has given impetus and focus to this strategic objective. The new area focuses on wellness solutions, rewards, partner management and client data analytics.



Excellence

MMI's objective to improve efficiency supports our Excellence strategic focus area. We implemented our new operating model and identified related optimisation opportunities across the group.

Innovation

Innovation is an important enabler for our strategy in relation to all three strategic focus areas, especially given the fast-changing environment in which we operate. We have adopted a dual approach to advancing innovation throughout MMI, ensuring both sustaining and disruptive innovation. Our sustaining innovation programme is called MMIgnite and delivered positive results. This social-based collaborative programme is open to all MMI employees and has grown to include more than 3 500 users. A number of MMIgnite ideas have already been implemented. We have also launched a disruptive innovation initiative with a much longer time horizon.

FINANCIAL PERFORMANCE

Our return on embedded value was 10% over the past year, with an excellent increase of 22% in the value of new business. Profits from operating divisions grew strongly by 17% and core headline earnings increased by 6% to R3.8 billion. After adjusting for a significant increase in the investment in new initiatives, core headline earnings growth was 13%. New business sales (on a present value of premiums basis) increased by 21% to R50 billion. Five of the six operating divisions increased their profits, led by Momentum Employee Benefits' increase of 28%. The ordinary dividend per share has increased to 155 cents, a growth of 9%.

During the year, Fitch Ratings affirmed MMI's credit rating and kept our outlook at stable.

TRANSFORMATION

We are proud to report that MMI has maintained a level 2 contributor status over the last three years. Transformation continues to be an integral part of MMI's vision, as well as a strategic imperative in achieving our objective of enhancing financial wellness for all. We understand and are prepared for the current challenges brought about by changes in legislation. Our Group Transformation strategy is aligned with the Department of Trade and Industry (dti) amended Codes of Good Practice.

We remain committed to creating meaningful and sustainable transformation in the South African economy.

THANKS

I would like to thank the MMI board, management team and employees for their commitment and significant contributions during the past year. In particular, I would like to thank our chairman, JJ Njeke, for his valuable strategic guidance and ongoing support. We believe MMI's client-centric strategy is appropriate to build an exciting future and continue to rely on our management team and employees to realise that future by living our purpose to enhance the lifetime financial wellness of people, their communities and their businesses. I would also like to thank our shareholders for their support and especially all MMI's clients for partnering with us to enhance their financial wellness.