OUR PURPOSE:

To enhance the lifetime Financial Wellness of people, their communities and their businesses.

HOW OUR BUSINESS WORKS

Segments intimately understand client needs and design matching Financial Wellness solutions.

Momentum Retail	Metropolitan Retail	Corporate and Public Sector	International: Africa and India	International: United Kingdom
Lifetime client value propositions for the middle, upper and high net worth markets.	Needs-based solutions for clients in the emerging and middle income markets.	Providing holistic solutions for the needs of corporates and public sector entities.	Providing solutions to clients in African countries outside of South Africa as well as India.	Focus on investment solutions in the United Kingdom.

Client Engagement Solutions support all segments with solutions design.

Centres of Excellence provide the product building blocks for the client value propositions designed by the segments.

Life insurance and legacy solutions	Short-term insurance	Health	Investments and savings	Lending solutions
Provides life insurance and savings solutions.	Provides asset protection solutions.	Provides health administration, risk management healthcare funding solutions.	Provides outcomes-based investment solutions.	Designs focused lending solutions to enhance Financial Wellness.

DELIVERING FOR OUR STAKEHOLDERS

		OUTCOME	REFERENCE
Shareholders	Achieving growth in earnings and maintaining stable dividend growth. Grow the embedded value of the company.	• Total dividend per share of 157 cents • Return on embedded value of 13%	• Finance director's report page 39 • At a glance page 4
Clients	Providing Financial Wellness.	• Paid insurance benefits and claims of R26 609 million	• Financial statements page 73
Employees	Providing career opportunities and leadership development. Enhancing employee wellness.	• 17 560 employees • Skills development spend of R183 million • Paid employee benefits of R5 341 million	• At a glance page 4 • Financial statements page 73

		OUTCOME	REFERENCE
Communities	These programmes are aimed at creating lasting benefits for the communities in which we operate by addressing barriers to Financial Wellness.	• Corporate social investment spend of R33 million	• Social and environmental indicators page 32
Regulators and government	Compliance with all regulatory requirements and giving industry input to new legislation.	• B-BBEE Level 2 contribution • Paid income tax of R2 164 million	• Transformation review page 30 • Financial statements page 73
Suppliers	Dealing fairly and ethically thereby contributing to employment and growth in the economy. Offering enterprise and supplier development funding.	• B-BBEE Level 2 contribution • New B-BBEE trust established to increase enterprise and supplier development contribution	• Transformation review page 30
Intermediaries and brokers	Formal employment with appropriate benefits and career development opportunities. Offering a competitive suite of products.	• Sales remuneration paid of R5 304 million • Training opportunities	• Financial statements page 73 • Transformation review page 30

MMI GROUP PROFIT DRIVERS

The main determinants underlying MMI's 2016 financial outcomes (earnings and return on embedded value) are set out below. Earnings and value drivers specific to segments and lines of business are covered in more detail under the segmental reviews on pages 20 to 27.

EARNINGS AND/OR VALUE DRIVERS

New business volumes

For business under the life insurance licences, MMI recorded growth of 35% in new business premiums versus the prior year, when measured on a present value of premiums basis (single premiums plus expected future recurring premium income). New business acquired by Guardrisk (cell captive business) made a significant contribution to premium growth over the year.

Year on year, recurring premium life new business increased by 38%, while single premium inflows were 10% lower than the previous financial year.

Short-term insurance premiums increased by 12.8% over the prior year.

Changes made within the Metropolitan Retail distribution channels have started to bear fruit, with improved productivity per agent, a change in the mix of business from savings to more profitable risk business and a recovery in volumes towards the end of F2016.

EARNINGS AND/OR VALUE DRIVERS	
Value of new business (VNB)	Excluding the impact of higher long-term interest rates and expense reallocations from shareholder to client segments, the VNB increased by 13% to R850 million on a consistent basis. The overall new business margin was impacted negatively by a shift to lower-margin business, comprising mainly cell captive administration business.
Persistency (client retention)	Policy terminations in the Momentum Retail segment exhibited a lower loss compared to the prior year, whereas modest termination profits were experienced in the Metropolitan Retail and Corporate and Public Sector segments. We are starting to see better persistency for clients that are members of the Multiply Financial Wellness programme. The focus continues to be on maximising retention and growth opportunities through well-articulated client value propositions and cross selling. Closed scheme health administration business was adversely impacted by the loss of large contracts. The negative impact was partially offset by new administration contracts awarded and by new business growth in the Momentum Health open scheme.
Underwriting, claims management and pricing	Life underwriting results (risk profits) in the retail segments during F2016 were lower than the strong prior year outcome, but still showed a positive variance compared to actuarial assumptions. Disability claims experience on employee benefits business, mainly linked to the current unfavourable economic conditions, was above the targeted range (claims were higher than expected), placing downward pressure on group earnings. A key focus will be to ensure appropriate pricing for this business when renewals become due. Underwriting experience in Momentum Short-term Insurance improved, with the claims ratio improving from 87% in F2015 to 81.8% during F2016. Outside South Africa, non-life underwriting results were adversely affected by worse than expected results from the Cannon Assurance short-term insurance business in Kenya, and the health insurance businesses in Mozambique, Swaziland, Mauritius and Zambia. In Kenya, management changes were made, while a decision was taken to exit group health businesses in certain countries. For the group as a whole, the pressure on underwriting results had a materially adverse impact on earnings growth.

EARNINGS AND/OR VALUE DRIVERS	
Expense management	Due to tight management control, expenses for the group as a whole (excluding direct sales costs) remained almost unchanged from F2015. In real terms, this represents a decrease when compared to CPI inflation of approximately 6% over the period. Regarding the four-year project to reduce annual management expenses by R750 million by F2019, MMI has exceeded its F2016 savings target of R100 million. The Investments and Savings Centre of Excellence has made good progress in the key projects that will simplify and bring efficiencies in the investment administration processes, including the outsourcing of investment administration functions that support the outcomes-based investment solution. Progress is being made in consolidating the health businesses across the group and adapting them to the new operating model.
Investment markets, economic conditions and cost of borrowing	MMI's return on embedded value is strongly correlated to investment market conditions – particularly in relation to long-term interest rates (negatively correlated) and equity market returns (positive correlation). During F2016, investment markets had a mixed impact on the group's financial results, with strong performance in the offshore components of MMI's investment portfolios (mainly due to Rand weakness) partly negating weaker local equity returns. Higher long-term interest rates had an adverse impact on the value of new business. The slowdown in real economic growth (as measured by lower real GDP growth) had a material effect in a number of areas, including pressure on sales growth and disability claims. During the year, MMI adjusted its credit asset origination and pricing strategies and the credit portfolio risk management strategy to align with the current macro-economic outlook. No material credit losses were experienced. Because shareholder assets are conservatively invested primarily in cash or near-cash instruments, investment returns on the shareholder portfolio is not materially exposed to equity markets. During the year, Moody's assigned an Aaa.za national scale insurance financial strength rating to MMI Group Limited (MMIGL) and an Aa2.za rating to MMIGL's unsecured subordinated notes. This is a positive for future debt roll-over costs.