

MOMENTUM RETAIL

Momentum Retail's purpose is to enhance the lifetime financial wellness of people, their families, communities and businesses.



STRATEGY

The focus is on three main segments – the upper and middle retail segments, and the small business segment in South Africa, offering innovative and appropriate wealth creation, risk and savings solutions.

We will ensure that we understand clients and their needs intimately and build client value propositions (CVP) to optimally address these needs. See the CVP graphic in the MMI online integrated report at www.mmiholdings.com.

Historically, independent financial advisers dominated distribution in this segment. Although this is still a major source of business, we have adopted an omni-channel approach, with clients at the centre, interacting with their channels of choice. Business from tied financial planners has increased significantly over the last five years. Over the last year, the retail arm of Momentum Consult also grew significantly. In addition, we have started focusing on digital engagement channels for relevant segments and solutions.



PROFIT DRIVERS

- Sales volumes and mix
- Persistency
- Expense management
- Investment performance
- Effective underwriting, pricing and claims management



STRATEGIC INITIATIVES

- Entrench the Middle Market offering
- Continue building and diversifying distribution capability
- Strengthen wealth management capabilities and solutions
- Implement strategic channel and client interaction capabilities



DISTRIBUTION



>6 000 independent financial advisers



660 tied financial planners operating in the upper-income segment



117 Momentum Consult advisers operating in the upper-income segment



50 middle-income segment financial planners in the field

momentum

METROPOLITAN RETAIL

Metropolitan Retail's purpose is to enhance the lifetime financial wellness of people, their families and their communities through empowerment and education.



STRATEGY

We target the entry-level market retail segments in South Africa with a focus on client value, ease of interaction, empowering advice and a lifetime engagement. The following sub-segments have been identified:

- Traditionalists – Young, informally employed (high school)
- Survivalists – Seniors/retired, informally employed (primary education)
- Realists – Marginally older, less educated and earning less than Aspirers
- Aspirers – Aged between 25 – 40, more educated, higher earning households
- Strivers – Aged between 25 – 40, urban formal, better educated with a university qualification and mostly employed

Products and solutions on offer are savings, income generation and income protection (risk) and dignified funeral products. These solutions are delivered through the client value proposition (CVP). See the CVP graphic in the MMI online integrated report at www.mmiholdings.com.



STRATEGIC INITIATIVES

- New generation client value proposition
- Channel productivity
- Migration of existing clients to new generation technology platforms
- Integrated sales and service architecture – deliver client-centric engagement
- Channel diversification



DISTRIBUTION



3 161 tied agents



4 call centres



1 223 brokers



>100 sales offices countrywide



PROFIT DRIVERS

- Volume and mix of new business
- Retention of new and existing business – client retention
- Expense management
- Effective underwriting, pricing and claims management
- Investment performance – absolute and relative

METROPOLITAN 



CORPORATE AND PUBLIC SECTOR

In order to enhance the lifetime financial wellness of businesses, employees, customers and their communities, we place the client at the centre of everything we do.

This requires deepening industry and sector insights about the institutions that we serve and focusing on the strategic issues that affect them and their employees.



STRATEGY

Our client-centric strategy includes:

- Segmenting institutional clients using a multi-dimensional basis and metrics (eg number of employees and industry type)
- Deepening our knowledge of client segments that we serve, including the key issues facing the industries and sectors in which they operate
- Assisting institutional clients to enhance the financial wellness of their employees and workers in support of their own corporate strategies
- Combining our segment know-how and the capabilities within MMI's products and solutions centres of excellence to design a holistic client value proposition (CVP)
- Extending our financial wellness proposition to the institutional clients through solutions that:
 - Grow their profitability
 - Protect their asset base
 - Enhance their sustainability



PROFIT DRIVERS

- Effective underwriting, pricing and claims management
- Asset-based charges on investment and annuity business
- Risk business margins
- Fee income on administration business
- Operational efficiencies



BRANDS

We deliver on our CVP through the following brands:

- **Momentum**
- Metropolitan
- **Guardrisk**
- Eris
- OcsaCare
- CareCross
- Hello Doctor
- Providence
- Bluubin



PRODUCTS

We focus on medium to large corporates, affinity groups, labour unions and the public sector institutions by offering:

- Investment and annuity solutions
- Life and short-term insurance solutions
- Medical scheme benefits and administration of closed schemes
- Alternative risk transfer arrangements (eg cell captives)
- Corporate income statement and balance sheet enhancement solutions
- Retirement solutions (umbrella and free-standing fund administration)



DISTRIBUTION



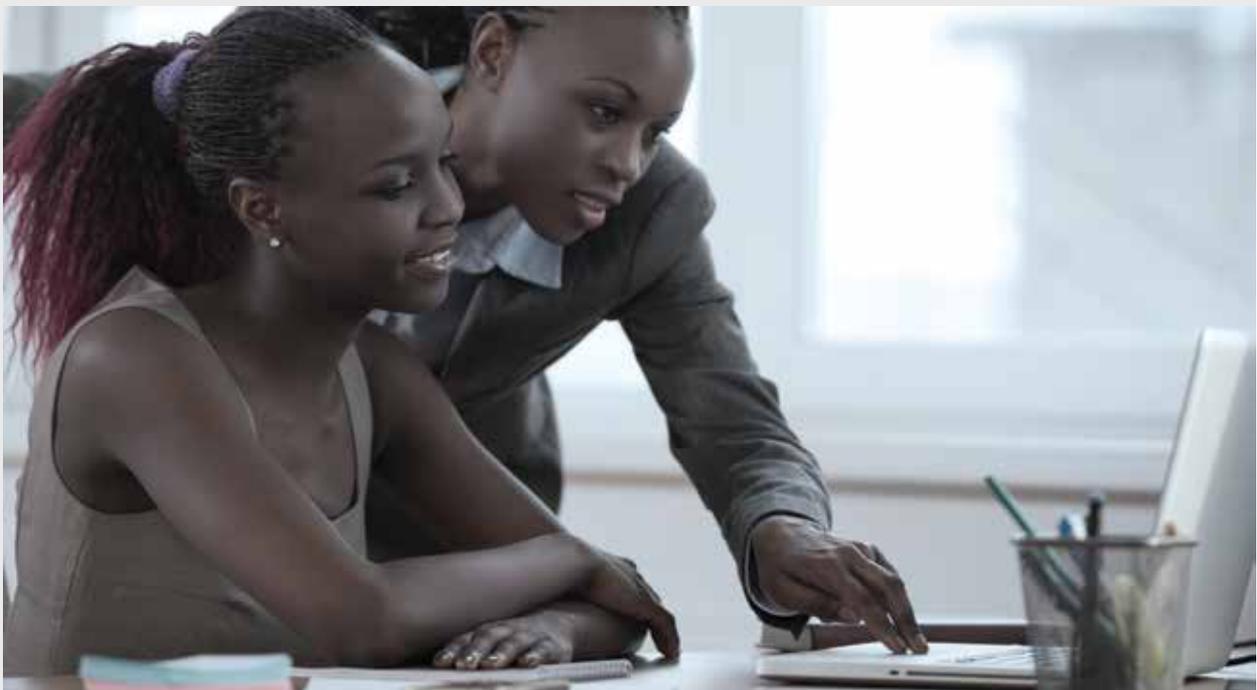
500 brokers



10 tied agents



8 branches



STRATEGIC INITIATIVES

- Increase client base in target markets
- Increase value of existing client base
- Improve understanding of clients
- Improve alignment of needs and client value proposition
- Improve long-term relationships with clients and stakeholders
- Improve overall efficiency
- Deliver a consistent excellent client experience



INTERNATIONAL

The International segment allows us to manage our global expansion holistically, to enhance the lifetime financial wellness of people, their communities and their businesses and takes care of client needs in the selected segments of countries where we are represented.



STRATEGY

This segment is responsible for managing the group's holistic global expansion, offering:

- Risk, savings and investment products
- Retirement fund administration
- Health insurance products and administration
- Short-term insurance



DISTRIBUTION

Methods of distribution vary from country to country and include:

- Tied agents
- Brokers
- Call centres
- Alternative distribution methods, eg through mobile technology



STRATEGIC INITIATIVES

- Successfully implement the Indian joint venture
- Scale the East and West African operations through organic growth and selective acquisitions
- Drive regional hub autonomy and foster collaboration
- Restructure the centre cost base



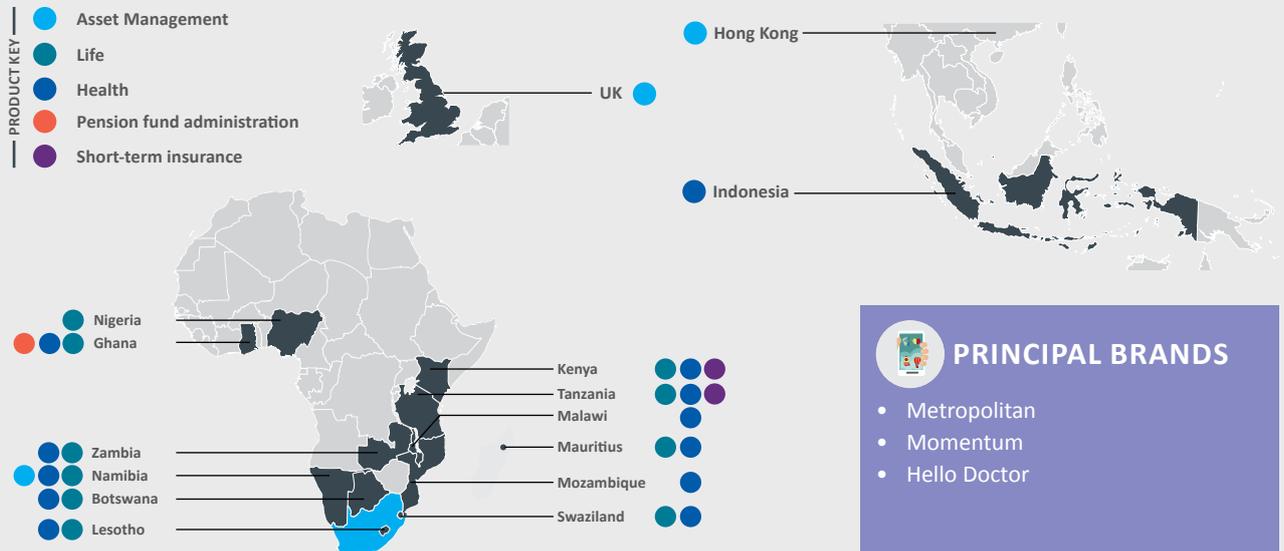
PROFIT DRIVERS

- Effective underwriting, pricing and claims management

- Sales volumes and mix
- Expense management
- Investment performance
- Retention of existing clients

PRODUCT KEY

- Asset Management
- Life
- Health
- Pension fund administration
- Short-term insurance



PRINCIPAL BRANDS

- Metropolitan
- Momentum
- Hello Doctor

PRODUCTS AND SOLUTIONS BUSINESS

The purpose of this segment is to enhance the financial wellness of people, their communities and their businesses, by using our technical capabilities and insights to innovate and create value in the delivery of solutions.



STRATEGY

The Products and Solutions business consists of the following centres of excellence, specialising in:

- *Investments and savings solutions* that provide a single investment capability with an outcomes-based investment philosophy to all segments of the group
- *Life insurance solutions* to all segments across the group based on their clients' needs
- *Legacy solutions* that hosts the product and system capabilities of legacy products across MMI
- *Short-term insurance responsible* for designing and making suitable products available as required by segments across the group
- *Health solutions* offering medical scheme administration and a platform for the Momentum Health open scheme and CareCross
- *Payment solutions* that enhance transactional capabilities, facilitate emergency access to funds, enhance customer insight into spending and borrowing needs and behaviour, and improve value



STRATEGIC INITIATIVES

- Identify and build unique intellectual property to be leveraged
- Communicate unique intellectual property to segment businesses
- Understand specific segment environment needs and client value propositions
- Rework product solutions to better fit segment client value propositions
- Identify areas of optimisation in each centre of excellence
- Alignment and leverage of quality resources



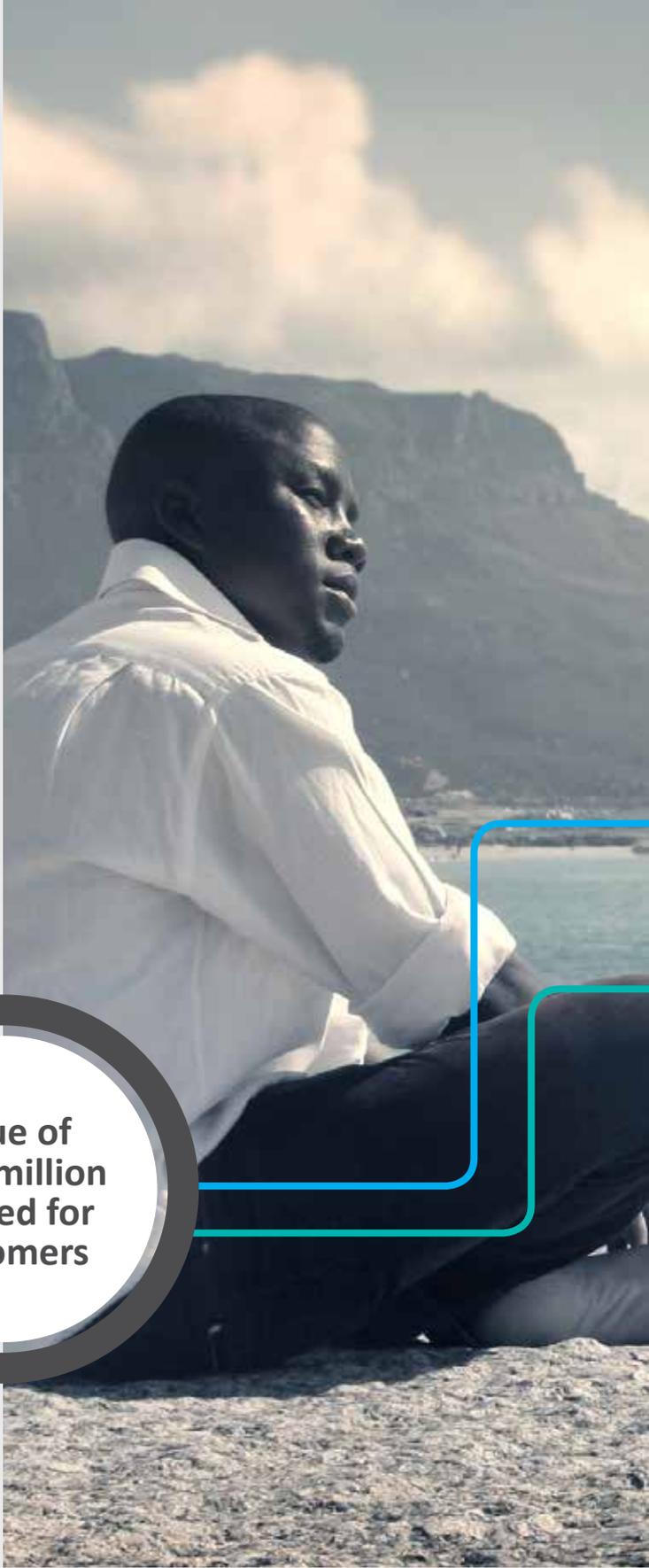
CLIENT ENGAGEMENT SOLUTIONS

This business unit was established to combine new technologies, business ecosystems and its deep understanding of human behaviour to help clients become more financially well.

Client Engagement Solutions will be instrumental in creating a superior client experience and will use the deep client understanding of MMI's segment businesses as its point of reference to achieve this goal. In turn, the segment businesses will rely on Client Engagement Solutions for client experience and financial wellness solutions to improve the relationship with customers in their segments.

The Client Engagement Solutions business uses compelling rewards to drive client behaviour that improves financial wellness and increases the value of existing clients. Our Multiply Rewards programme offers clients excellent discounts on products and services from more than 40 well-known brands. It offers participants in the programme the opportunity to save money on gym memberships, fitness assessments, travel and leisure, gadgets and online shopping.

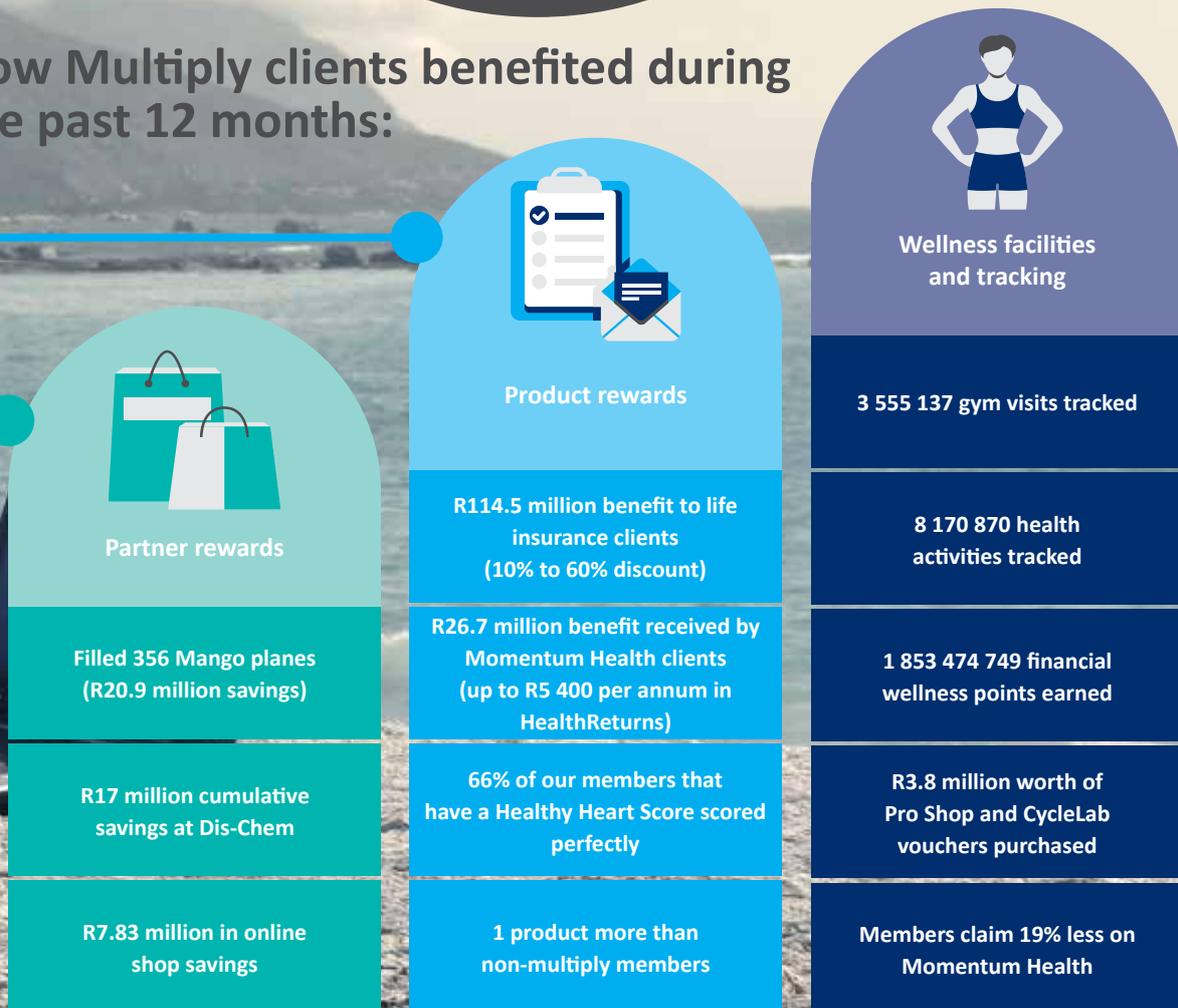
We have also teamed up with Unisa to launch The Momentum Household Financial Wellness Index and The Momentum Household Net Wealth Report – a first of its kind for South Africa.



**Value of
R301 million
created for
customers**



How Multiply clients benefited during the past 12 months:



MMI employees embrace innovation



For MMI, innovation is:

- Core to our vision and purpose
- One of our values
- A key enabler

MMI launched its innovation programme, MMIgnite towards the end of 2014. MMIgnite is a **social-based collaborative approach** to innovation where all employees are encouraged to put forward new ideas to stimulate innovation throughout the organisation.

The MMI Innovation agenda is linked to its **three key strategic focus** areas of growth, client centricity and excellence.

By focusing our **innovation** agenda on our **strategic objectives** we can ensure:

- Client satisfaction
- Product and service innovation
- New and improved ways of doing things
- Profitability through increased revenue and cost savings
- Growth

What we have done to date

We have mobilised and energised a large proportion of our employees to use the MMIgnite software platform to log their innovation ideas, and rank and comment on other employees' ideas. A number of these ideas are already being implemented. This is a significant achievement in a very short time and it is very encouraging to see the value already being created through our innovation focus, by tapping into the creative minds of each and every employee.



KEY PERFORMANCE INDICATORS

MMI assesses its operational performance against a set of key performance indicators that are approved and annually reviewed by the group's Remuneration Committee. The set of indicators include both short-term and longer-term objectives.

PERFORMANCE SCORECARD 2015

| | Weight | F2015 target | Actual | Achieved |
|---------------------------|--------|-----------------|--------------|----------|
| Return on embedded value* | 20% | GDP plus 3% | 10.6% | ↔ |
| Value of new business | 20% | R880 million | R954 million | ↑↑↑ |
| Core headline earnings | 25% | GDP plus 3% | 6% | ↓↓ |
| Transformation | 15% | FSC score of 75 | 91 | ↑↑↑ |
| Strategic initiatives | 20% | Self-assessment | | ↑↑ |

* For short-term incentive scorecard purposes, investment variances are excluded from the return on embedded value.

The above relates to group-wide targets and deliverables. In addition, specific targets have been set for each division and subsidiary.

LONGER-TERM PERFORMANCE INDICATOR – RETURN ON EMBEDDED VALUE (ROEV)

As an indicator of financial performance over the medium to longer term, the group's return on embedded value is measured on an annual basis, but averaged over a rolling three-year period. The targeted rate of return has been set at 300 basis points in excess of the annual growth in South Africa's gross domestic product ("GDP + 3%"). An outperformance target equal to GDP + 6% has also been set. The targets are reviewed on an annual basis.

For allocations before 2014, the performance of the group is measured against the targeted hurdle rate of GDP + 3%, as well as against the average ROEV achieved by MMI's peers over the three-year period. For allocations made since 2014, the relative criterion against competitors has been removed, due to the small number of constituents making up the index of comparable SA-listed peers.

The following table is an analysis of the group's ROEV for the year ended 30 June 2015:

| | 2015 | |
|--|--------------|--------------|
| | Rm | ROEV |
| Expected return – unwind of risk discount rate (RDR) | 2 758 | 7.0% |
| Operating experience variances | 622 | 1.6% |
| Embedded value from new business | 954 | 2.4% |
| Investment return on adjusted net worth | 664 | 1.7% |
| Investment variances | (406) | (1.0%) |
| Non-covered (excl. basis changes) | (557) | (1.4%) |
| Total (excl. assumption changes) | 4 035 | 10.2% |
| Operating assumption changes | (292) | (0.7%) |
| Economic assumption changes | 51 | 0.1% |
| Total return on embedded value | 3 794 | 9.6% |

The returns shown in the table are aggregates for the group, including both covered and non-covered business.

CRITICAL SUCCESS FACTORS

CLIENT CENTRICITY



- MMI is resolutely focused on the optimal execution of our client-centric strategy. We place the client in the centre of everything we do, with the objective to identify and solve our clients' financial wellness needs and problems.
- By segmenting our client base and then developing an intimate understanding of clients' needs and problems in the respective segments, our segment businesses are able to create compelling value propositions for MMI's clients.

REGULATORY COMPLIANCE



- MMI follows an all-inclusive approach that ensures compliance with regulatory requirements across the group. This process enables us to offer appropriate and approved products to clients. It also ensures sound capital management, the protection and growth of shareholder value and clear financial disclosure to stakeholders.
- The group continues to prepare for the adoption of the Solvency Assessment and Management (SAM) regulatory capital regime, which will be applicable from 1 January 2016. Ultimately, SAM will achieve better alignment of stakeholder interests, including enhanced protection of policyholder benefits.

APPROPRIATE BUSINESS RISK MANAGEMENT



- MMI's risk philosophy recognises that mitigating risk is an integral part of generating sustainable shareholder value and enhancing stakeholder interests.
- Robust underwriting and a focus on the quality of new business resulted in both the Metropolitan and Momentum Retail businesses having good mortality experience.





CLIENT ENGAGEMENT



- In line with MMI's client-centric strategy and our purpose to enhance the financial wellness of our clients, MMI continues to move towards being a more integrated financial services company.
- MMI's Client Engagement Solutions business plays a pivotal role to align and combine the product building blocks and engagement solutions we need to enhance our clients' financial wellness, and to create world-class engagement experiences.

PRODUCTS AND SOLUTIONS



- Our Products and Solutions business comprises a number of Centres of Excellence that design the product building blocks required to optimally deliver the client value propositions constructed by MMI's segment businesses.

EFFICIENCIES AND SCALE



- MMI's client-centric strategy and operating model structure has been designed to achieve maximum efficiencies and scale across all the businesses in the group.

PEOPLE



- To remain competitive and implement MMI's client-centric strategy successfully, it is paramount that the group is able to attract and retain a highly skilled workforce.