



MMI HOLDINGS

MMI DELIVERS STRONG OPERATING PERFORMANCE WHILE PURSUING GROWTH

FINANCIAL HIGHLIGHTS

New business PVP
↑ 21%
to R50 billion

VALUE of NEW BUSINESS
↑ 22%
to R954 million

RETURN on EMBEDDED VALUE of
10%

PROFITS from OPERATING DIVISIONS
↑ 17%
to R3.5 billion

CORE HEADLINE EARNINGS
↑ 6%
to R3.8 billion

TOTAL DIVIDEND
↑ 9%
to 155 cents per share

SUMMARY OF RESULTS

Group results

MMI delivered another solid set of financial results for the year under review.

- The group recorded a 10% return on embedded value (R3.8 billion embedded value profit) for the year.
- The year-end embedded value, of R40.3 billion (2 514 cents per share), was calculated taking into account dividend payments to ordinary shareholders during the year of R3.1 billion (198 cents per share).
- The contribution from operating divisions increased 17% to R3.5 billion for the year, while total diluted core headline earnings increased by 6% to R3.8 billion.
- Overall, the established businesses continued to grow profits. The increase was impacted by significant investments into growth initiatives that are being pursued in line with the group's client-centric strategy to enhance financial wellness.
- Good expense management contributed positively to value creation.
- Positive experience variances were recorded in total, supported mainly by better than expected mortality and morbidity experience.
- Strong new business flows resulted in a 22% increase in the value of new business to R954 million.
- A final ordinary dividend of 92 cents per share was declared, resulting in a total dividend of 155 cents per share, an increase of 9% on the prior year.

Operating environment

Local operating conditions remained economically challenging and highly competitive. The strong performance of the South African equity markets over recent years was not repeated and was replaced by increased volatility and only a small positive growth over the year. Inflationary pressures and interest rate increases continued.

The need for investment and protection solutions, however, remains an integral part of enhancing financial wellness.

Capital strength

- MMI successfully issued R750 million of new subordinated debt and redeemed R500 million of expiring debt in December 2014.
- Another R1 billion of debt, due in September 2015, has similarly been replaced with a fresh issue of R1.25 billion during August 2015.
- A strong capital buffer of R4.3 billion was reported as at 30 June 2015, after allowing for capital requirements, strategic growth initiatives and the final dividend.
- Taking into account the many growth initiatives and the imminent change to a new capital regime (Solvency Assessment and Management), 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 growth, client centricity and excellence.
- Each segment, together with the Product and Solutions Centres of Excellence and supporting functions, is advancing the implementation of MMI's client-centric strategy.
- Plans and processes are being executed to optimise structures, distribution channels and solutions, focusing on innovation and collaboration.
- Taking into account the current environment, the group has increased the focus on efficiencies, having identified specific cost-saving initiatives, while continuing to pursue top-line growth.
- 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 innovative strategies to continue unlocking value and generating the required return on capital for shareholders over time.